

# Exhibit H

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF NEW JERSEY

3  
4  
5 WALSH SECURITIES, INC.,

Action No. CV 97-3496 (WGB)

6 Plaintiff,

Hon. William G. Bassler

7 vs.

8  
9 CRISTO PROPERTY MANAGEMENT, LTD.,  
a/k/a G.J.L. LIMITED, DEK HOMES OF  
10 NEW JERSEY, INC., OAKWOOD PROPERTIES,  
INC., NATIONAL HOME FUNDING, INC., CAPITAL  
11 ASSETS PROPERTY MANAGEMENT &  
INVESTMENT Co., Inc., CAPITAL ASSETS  
12 PROPERTY MANAGEMENT, L.L.C., WILLIAM  
KANE, GARY GRIESER, ROBERT SKOWRENSKI, III,  
13 RICHARD CALANNI, RICHARD DiBENEDETTO,  
JAMES R. BROWN, THOMAS BRODO, ROLAND  
14 PIERSON, STANLEY YACKER, ESQ., MICHAEL  
ALFIERI, ESQ., RICHARD PEPSNY, ESQ.,  
15 ANTHONY M. CICALESE, ESQ., LAWRENCE  
CUZZI, ANTHONY D'APOLITO, DAP CONSULTING,  
16 INC., COMMONWEALTH LAND AND TITLE INSURANCE  
CO., NATIONS TITLE INSURANCE OF NEW YORK,  
17 INC., FIDELITY NATIONAL INSURANCE CO.  
OF NEW YORK, COASTAL TITLE AGENCY,  
18 STEWART TITLE GUARANTY COMPANY,  
IRENE DIFEIO, DONNA PEPSNY, WEICHERT  
19 REALTORS, AND VECCHIO REALTY, INC. D/B/A  
MURPHY REALTY BETTER HOMES and GARDENS.

20 Defendants.

21 / Volume I, Pages 1 - 131

22 DEPOSITION OF: WILLIAM KANE.

23 DATE/TIME: April 19, 2007; 9:30 a.m.

24 PLACE: Kanabay Court Reporters  
Feather Sound Square, Suite 19  
25 Clearwater, Florida

ORIGINAL

KANABAY COURT REPORTERS

1 REPORTED BY: Robert William Wagner  
2 Notary Public,  
3 State of Florida at large.

4 APPEARANCES:

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Appearing via teleconference.

ALSO PRESENT:

MS. VIRGINA MORAN, Esquire  
Appearing via teleconference  
In-house Counsel for Commonwealth Land and Title

**KANABAY COURT REPORTERS**  
**TAMPA AIRPORT MARRIOTT HOTEL (813) 224-9500**  
**ST. PETERSBURG - CLEARWATER (727) 821-3320**

1           A. I would write the loan application, order the  
2 appraisal, and submit the loan to the bank under National  
3 Home Funding.

4           Q. Approximately when did you become employed by  
5 National Home Funding?

6           A. I believe it was sometime after Cristo was set up.  
7 The exact dates I am not sure of.

8           Q. And why did you go to work for National Home  
9 Funding.

10          A. Mr. D'Apolito introduced me to Robert. This  
11 way -- because Selective was charging a lot of points.  
12 Mr. Skowrenski, I believe, was taking either a quarter or a  
13 half a point on the deals. That was it.

14          Q. Do you know whether at that time Mr. Skowrenski or  
15 his company, National Home Funding, had any licenses from  
16 the State of New Jersey to operate as a mortgage banker or  
17 broker?

18          A. I'm assuming they did.

19          Q. Did you have any such licenses?

20          A. Yes.

21          Q. What licenses did you have?

22          A. I believe I had a -- either a loan originator or a  
23 loan solicitor's license under National Home Funding.

24          Q. When did you get that license?

25          A. Again, it would be sometime after Cristo, after we

1 A. Not to my recollection.

2 Q. Had you ever worked in the mortgage origination  
3 business before you became employed by Mr. Skowrenski?

4 A. No. No --

5 Q. I missed -- I want to come back to -- I'm sorry.  
6 Did you --

7 A. No, no. I'm just saying, not to my knowledge, I  
8 was never employed, no.

9 Q. I wanted to come back to one of your earlier  
10 answers were you said -- and I'm going to paraphrase what  
11 you said -- that you went to work for National Home Funding  
12 because it charged lower points than Selective.

13 Do you remember that testimony?

14 A. Yes, I do, sir.

15 Q. Why would that mean that you would go to work for  
16 National Home Funding rather than simply use National Home  
17 Funding's services?

18 A. Because by me doing the work is the reason why  
19 there were less points involved.

20 Q. Would you explain that to me, please?

21 A. If he had one of his other loan representatives or  
22 loan officers or solicitors do my work -- my deals, they  
23 would want to get a point, two, two points, whatever the fee  
24 might be. By me doing it, I -- we eliminated that fee to  
25 somebody.

1 Q. And would that mean National Home Funding would  
2 make less money than if another originator had worked on the  
3 deal?

4 A. It would depend on what deals he had with his  
5 other originators.

6 Q. I guess my question is what was in it for  
7 Mr. Skowrenski in hiring you. And I'm not being a wise guy  
8 when I phrase it that way.

9 A. No, no. I understand. Volume. He was making,  
10 whether it be a quarter of a point or a half a point or -- I  
11 forget the exact deal at this point in time -- but he was  
12 generating it in volume, and his company could show that  
13 they were doing big numbers.

14 Q. And what would be the advantage to his company in  
15 showing big numbers?

16 A. You can get different banks. You can go to  
17 different banks when you do certain volume. I believe at  
18 one point he had talked about being a national wholesaler  
19 himself where you would get more back-end money from the  
20 banks. They would pay you.

21 Q. Did Mr. Skowrenski supervise your work in any way  
22 or did you pretty much work on your own?

23 A. Pretty much worked on my own.

24 Q. Did you actually have an office at National Home  
25 Funding?

1                   What exactly was your deal with Mr. Skowrenski?

2           A.    Like I said before, it was either a quarter of a  
3   point or a half a point he received on each deal.

4           Q.    And put that in terms that people not familiar  
5   with real estate could understand.

6           A.    Okay. If the loan was worth -- if it was \$100,000  
7   loan, one point would be \$1,000. So a quarter of a point  
8   would be \$250 to \$500 for Mr. Skowrenski's end.

9           Q.    And did you get any payment from Mr. Skowrenski?

10          A.    Yes, sir.

11          Q.    What was your payment from Mr. Skowrenski?

12          A.    The difference between what he received and what  
13   was charged to the borrower or the back end that came back  
14   on the rate.

15          Q.    Was that the same deal that his other mortgage  
16   originators would have had?

17          A.    Again, each deal is done differently. I couldn't  
18   say, no, or indifferent.

19          Q.    One of the witnesses in this case suggested or  
20   testified that you also received some cash payments from  
21   Mr. Skowrenski beyond what your stated compensation or  
22   stated deal with him was.

23                   Is that correct or is that incorrect?

24          A.    That's definitely incorrect.

25          Q.    With respect to the loans you originated through

1 A. No.

2 Q. Can you describe your business dealings with Walsh  
3 Securities?

4 A. Well, I worked for National Home Funding. We  
5 would get -- I would identify a house or one of my people  
6 would identify a house. We'd go to contract on it. We'd  
7 call Mr. Grieser or another gentleman that worked for him at  
8 the time, Mr. Cuzzi.

9 He would bring in a straw buyer, a borrower, a  
10 straw buyer. We'd process the paperwork for the straw buyer  
11 and bring it into Walsh Securities to get the loan done.

12 Q. And do you know who owners of Walsh Securities  
13 were?

14 A. I was told back at that time it was Betty Ann,  
15 Jimmy, and Robert.

16 Q. Betty Ann Demola and Jimmy Walsh and Robert Walsh?

17 A. That is correct, sir.

18 Q. And who told you that those were the owners?

19 A. To the best of my recollection, it had to be  
20 D'Apolito, Anthony D'Apolito.

21 Q. The reason I asked whether you were ever employed  
22 by Walsh, there's a number of the witnesses in this case who  
23 testified that you either had an office or a desk at Walsh.

24 Is that correct or is that incorrect?

25 A. That would be incorrect. It was a joke, but there



1 I think they were \$24,000 or \$25,000. So I know that Billy  
2 definitely had some interaction with either Mr. DelRusso or  
3 with Betty Ann on the loans.

4 Q. How do you know that, Mr. Kane?

5 A. I remember sitting in the office and he was  
6 talking on the phone. And I believe at one time, at one  
7 point he did go up to Walsh with Mr. D'Apolito.

8 Again, to say it was this date and time, you know,  
9 I couldn't; but I know there was a situation.

10 Q. You had told me how often you were in Walsh  
11 Securities. When you would be up in Walsh Securities, would  
12 you interact with Ms. O'Neill?

13 A. Yes.

14 Q. And how about with Mr. D'Apolito?

15 A. Yes.

16 Q. And when you had your visits to Walsh Securities  
17 that you've told us about, did you interact with Betty Ann  
18 Demola?

19 A. Yes.

20 Q. With respect to your interactions with Betty Ann  
21 Demola, could you tell us about that, please?

22 A. With Betty Ann, we would go over the deals. If  
23 there were problems on the deals, we'd push her to get them  
24 resolved, help us overcome obstacles. On the last night of  
25 the month, she would have a candy party, where, you know,

1 she would just be with the whip out to get the deals  
2 processed.

3 MR. KOTT: I'm going to ask the court reporter  
4 to please read that answer back.

5 (Court reporter reads back answer.)

6 (Discussion off the record.)

7 BY MR. KOTT:

8 Q. Mr. Kane, I have some questions about that answer  
9 you gave.

10 Why would you be going over your deals with Betty  
11 Ann Demola?

12 A. Because if the underwriters had a problem and  
13 either Paul -- Mr. DelRusso was busy or whatever, we would  
14 go to Betty Ann with it. Meaning when I say we, either  
15 myself and Anthony D'Apolito or myself and Kellie or myself  
16 and the underwriter.

17 Betty Ann was involved in our deals.

18 Q. Earlier when I asked you for everybody's job  
19 description, you had told me Mr. DelRusso was the head of  
20 underwriting and Ms. Demola in charge of sales. That's a  
21 general sense.

22 So my question is, why would Ms. Demola be  
23 involved in underwriting decisions?

24 A. Well, her sales -- she was in sales, so she needed  
25 the deals to go through. She needed the volume.

1 Q. Why did she need the volume?

2 A. Well, she was the national sales manager I  
3 believe. So I'm sure she had a quota as did her loan  
4 officers.

5 Q. And you said she was involved in your deals. Did  
6 you have a sense that she really only got involved in your  
7 deals and not deals of other customers of --

8 A. No, she got in deals with other customers. I felt  
9 that. But, you know, I mean there were other people up  
10 there besides me that would deal with her.

11 Q. Okay. And you said in your answer that if there  
12 were problems, you would push her to get the problems  
13 resolved.

14 Was it that you would push her or she would push  
15 Mr. DelRusso?

16 A. Well, I think the way it went really is Kellie  
17 would tell me there was a problem or the underwriter or  
18 myself or D'Apolito. We push Mr. D'Apolito into getting it  
19 resolved, which means he would push Betty Ann.

20 I mean, I wouldn't personally go in there and tell  
21 her you have to do this or it has to be done. We would  
22 always make Mr. D'Apolito be intermediate.

23 Q. Okay. Were you ever in any meetings where you  
24 heard Ms. Demola talking about problems on your deals?

25 A. Yes.

1 Q. Would you tell me about that, please?

2 A. I remember once. Specifically, I mean, there's  
3 one I can remember where the borrower was -- had too many  
4 loans out already. And that deal specifically was one of  
5 the homes that Gary Grieser was buying for himself, using  
6 somebody else's name.

7 And, you know, we pushed Betty Ann -- or I,  
8 through D'Apolito. It was the very beginning. And he  
9 pushed her, and, you know, she got him -- he got her to  
10 override the underwriting guidelines on that where they got  
11 the deal to close.

12 Q. All right. About how many occasions did Betty Ann  
13 Demola have the underwriting guidelines overwritten so a  
14 deal could close? Give me an approximation on that.

15 A. To be approximating would even be hard. I  
16 couldn't give you an exact number, you know. It could have  
17 been 1 to 20, 1 to 30. I'm not sure, sir. Each was  
18 individual, you know.

19 Q. And what would be her incentive for doing that?  
20 Withdrawn.

21 Let me try it this way.

22 Underwriting guidelines of lenders are designed to  
23 protect the lender; is that correct?

24 A. That's correct.

25 Q. The lender has the underwriting guidelines because

1 the lender wants to make sure that the risk they accepted is  
2 an appropriate risk; correct?

3 A. Correct.

4 Q. So for what reason would Betty Ann Demola have to  
5 override the underwriting guidelines on some of your loans?

6 A. The reason she would do it, in my opinion, is she  
7 wanted the numbers for the sales volume, but overriding also  
8 meant that they could have been putting it someplace else,  
9 that she might have found another source to place the loan.  
10 Just because, you know, they're dealing with Bank A and  
11 they're doing a lot of deals with Bank A, she could have  
12 went in and found other ways to do it through other lenders  
13 or places where they would place the loans afterwards.

14 Again, they were the bank, so she could have  
15 changed her own guidelines or whatever.

16 Q. Well, that's my question. Being the national  
17 sales manager would she ordinarily have been in a position  
18 to change the underwriting guidelines?

19 A. No, I don't think -- let's clarify that. She  
20 would -- after I would go to D'Apolito or Kellie come to me  
21 and they went to Betty Ann, or Anthony and I walked into  
22 Betty Ann together, which I'm sure happened, she would have  
23 to go to Mr. DelRusso and get him to sign off on it.

24 I don't think that Betty Ann on that end could  
25 actually go in and sign it and say it's done. I believe

1 Mr. DelRusso had to do it.

2 So whether -- I was never involved -- in my  
3 recollection -- in the meetings with them as far as that  
4 goes. Did stuff get overwritten? Yes, without a doubt.  
5 The reason for it? Don't know. Don't know whether they  
6 found a different place to put the loan; or, you know, since  
7 they were the bank, they could have changed the guidelines.  
8 I don't know.

9 Q. Was it your --

10 A. But, yes, that's --

11 Q. I'm sorry. Go ahead.

12 A. That's okay. It's, you know, just reiterating  
13 myself that, you know, yes, the changes were made. But  
14 behind the scenes, I don't know exactly why or how.

15 Q. A couple times in the deposition you've referred  
16 to the need to get loans closed at the end of the month?

17 A. That's correct, sir.

18 Q. And in fact in the answer that I asked the court  
19 reporter to read back, you talked about Betty Ann having the  
20 candy out and got the whip out.

21 Was that at the end of the month?

22 A. Yes, sir.

23 Q. As far as you know, was part of Betty Ann's  
24 compensation based upon the number of loans that would close  
25 during a month?

1 Q. Why did you have a few conversations with her?

2 A. She kept calling. She wanted to know if we heard  
3 anything else, what was going on at that point, that Robert  
4 wanted to meet with me. You know, she didn't know how to  
5 handle Robert, how's she's going to tell Robert. She was  
6 just very, very nervous.

7 Q. The Robert that you're referring to, was that  
8 Robert Walsh?

9 A. That would be correct, sir.

10 Q. So you were told by Betty Ann Demola the day that  
11 Walsh Securities was served with subpoenas that Robert Walsh  
12 wanted to meet with you; is that a true statement?

13 A. Later that evening, yes, sir.

14 Q. You were told that by Betty Ann later that  
15 evening?

16 A. Yes, sir.

17 Q. Did Betty Ann tell you why Robert Walsh wanted to  
18 meet with you?

19 A. He wanted to find out what was happening for  
20 himself.

21 Q. And what happened next?

22 A. We went up to Walsh Securities the next morning.  
23 When I say "we," it was myself, Gary Grieser, Anthony  
24 D'Apolito, and we met at Walsh Securities.

25 Q. Why did Mr. Skowrenski not go up with you?

1 A. I'm not sure. And you want to know something? I  
2 just don't remember him being there. I don't believe he  
3 was.

4 Q. And who did you meet with at Walsh Securities?

5 A. We met with Robert, a gentleman -- I forget his  
6 last name. I believe his first name was Art, and I believe  
7 that was it. Betty Ann was supposed to show up. She  
8 didn't.

9 Q. Do you know why?

10 A. No. She probably just -- I'm assuming she didn't  
11 want the confrontation.

12 Q. What do you mean by that?

13 A. She was nervous and wouldn't know how to handle  
14 herself. She gets very nervous, very hyper; and I just  
15 believe she just got scared off and didn't want to confront  
16 Robert with us there.

17 Q. And tell us what happened in the meeting.

18 A. Basically Robert wanted to know what was going on,  
19 how the deals were being done, why the prosecutors were  
20 looking at us. I filled him in. Gary Grieser explained  
21 things to him; and, you know, just -- he was there for  
22 factual information.

23 And when he left the meeting, he said that, you  
24 know, basically there's no -- you know, unless he cries  
25 victim, there would be no victim, so that we should all talk



1 together and stay together.

2 Q. What did you think he meant by that?

3 A. I assumed -- my assumption at the point was is  
4 that, you know, if he was the bank and he wasn't crying  
5 foul, that nobody could do anything.

6 Q. And what do you think he meant by him saying you  
7 should all -- did you say you all stick together?

8 A. Well, we should communicate together. Basically  
9 he wanted to know everything we knew, so I guess he could  
10 keep his stuff in -- you know, he would know exactly what's  
11 going on.

12 Q. Did he indicate to you that he was not going to  
13 claim that Walsh Securities was a victim?

14 A. His comment was, "Only if I claim a victim, then  
15 the government can claim a victim." You know, my own  
16 opinion -- you know, I shouldn't give my opinion, no.

17 Q. I'll take your opinion. Go ahead.

18 A. I don't know whether he got blind-sided by  
19 everything. You know, he was caught off.

20 Q. But when you left the meeting was it your  
21 impression that he was not going to claim to the government  
22 that Walsh was victimized by whatever you and the other  
23 gentlemen had done?

24 A. That's -- in hindsight you look back and say he  
25 was just trying to get as much information as possible, that

1 Q. When you gave this testimony and you referred to  
2 one or more principals and officers of Walsh, who were you  
3 referring to?

4 A. Betty Ann.

5 Q. Betty Ann Demola?

6 A. Yes.

7 Q. Okay. Tell me more about Betty Ann Demola  
8 agreeing to falsify documents in connection with loans.

9 A. Okay. One specific one I can give is there was a  
10 borrower who worked for a car company and his -- a quality  
11 control was done after the loan had closed, and somebody  
12 called up to verify his income and current employment  
13 status, and he wasn't working there. So Betty Ann got ahold  
14 of Anthony D'Apolito, and -- I believe she called me. I'm  
15 not 100 percent sure, but I spoke to her about it afterwards  
16 and let her know that the problem would be resolved.

17 And Larry Cuzzi, who was an ex-car salesman from  
18 this place, had somebody there who handled the situation.

19 Q. What do you mean by that?

20 A. Got them to call back and say that the guy was  
21 there, that the guy worked there.

22 Q. Okay. And Betty Ann was aware that that was  
23 untrue?

24 A. Yes.

25 Q. Okay. And then you also said in this section of

1 the sworn testimony that -- withdrawn.

2 Did Betty Ann also agree to conceal the true  
3 conditions of properties from representatives of Walsh's  
4 warehouse credit facility?

5 A. That is correct.

6 Q. Tell us about that, please.

7 A. Okay. There was a day when a representative from  
8 Greenwich Capital showed up at their office. I don't  
9 remember the timeframe. It might have been November,  
10 December of '06 -- 1996. I apologize. And he wanted to go  
11 and look at houses.

12 Betty Ann -- you know, properties that they had  
13 put loans on. Betty Ann called us up there. I was -- I  
14 went up there with Anthony D'Apolito. She gave us the list  
15 of homes; and she wanted our crews to get out there, look at  
16 the properties, make sure that there are curtains up, no  
17 boards on the windows, and make sure that they looked good  
18 for a drive-by appearance. She had the quality control girl  
19 take him out to lunch to stall for time, and that was it.

20 Q. When you say she called you up there, was that she  
21 called you to the Walsh building in Parsippany?

22 A. That would be correct, sir, yes.

23 Q. So you actually went up and met with her to talk  
24 about this activity?

25 A. Yes, sir.

1 Q. Did you think it was improper at the time?

2 A. What do you mean by "improper"?

3 Q. I mean, did you think she was defrauding the  
4 warehouse lender?

5 A. To be honest with you, I probably didn't think  
6 about it. It was more just get it done so there was no  
7 headaches.

8 Q. Okay. Did she tell you why she wanted that done?

9 A. She didn't want to have any problems with the  
10 loans. I believe the month or two prior to that they had  
11 had a problem with a DiBenedetto loan where Greenwich had  
12 done a drive-by and they had to buy the loan back. And  
13 actually DiBenedetto bought it back from them.

14 Again, that was hearsay. I did not hear that.  
15 DiBenedetto had told me about that at the time.

16 Q. And what happened after your meeting at Walsh?  
17 Did you arrange -- did you or Mr. Grieser arrange to have  
18 done what she wanted done?

19 A. We both did, sir, yes.

20 Q. How did you get it done?

21 A. She gave us a list of houses. I believe to the  
22 best of my knowledge it was like 10 houses. He took North  
23 Jersey -- I took North Jersey. He took South Jersey, and we  
24 sent our crews out to do what had to be done.

25 Q. And after you got it done, did you report back to

1 her that it was done and it was okay to send the Greenwich  
2 Capital person to see the houses?

3 A. Yes, sir.

4 Q. And did you get it done? That is, did the houses  
5 look lived in and in an okay condition?

6 A. Yes, sir.

7 Q. So Greenwich would have received a false  
8 impression of the condition of the properties; is that true?

9 A. That'd be correct, sir.

10 Q. Do you know whether Robert Walsh or James Walsh  
11 was aware that Betty Ann has asked you to do that?

12 A. To my recollection, I don't know. I don't  
13 remember.

14 Q. Let me come back to something I asked you early  
15 on.

16 You said you had a solicitor's license. Is that  
17 the same thing as a broker, mortgage broker, or mortgage  
18 banker's license?

19 A. No, sir. Again, it was either called a  
20 solicitor's license or a loan originator's license.  
21 Totally -- you know, I mean, the only thing I could do was  
22 write loans. I couldn't go in and broker loans between  
23 different banks.

24 Q. Having a solicitor's license, could you operate in  
25 business without working for somebody who had a mortgage

1           A.    There was never any nonpayments prior to that.  
2           Now, I could be wrong, but that's -- you know...

3           Q.    This is where I got the five more loans from  
4           because D'Apolito goes on and he says, "After that there  
5           were five more loans that were approved."

6           A.    No. I mean, you can look at the dates on them. I  
7           mean, you know, Walsh Securities could have supplied them,  
8           but there was nothing. Once the subpoenas came, that was  
9           it.

10          Q.    On any of the loans you were involved in, did the  
11          loans close before the appraisals were done?

12          A.    Not done before the bank had them in hand, yes.

13          Q.    What does that mean? I'm not sure I know what  
14          you --

15          A.    Okay. There were a couple of times, rarely, but  
16          where the appraiser hadn't finished typing the loan up, but  
17          had the value, had done his inspection, and called the bank  
18          and said, this is what it's being appraised at. And, yes,  
19          they did fund it; and five days later or eight days later,  
20          they got the appraisal into the bank.

21          Q.    Was Betty Ann Demola aware that Walsh was funding  
22          loans before the written appraisals arrived at the bank?

23          A.    Yes.

24          Q.    How do you know that?

25          A.    Because she had to -- we had to call the value

1 into her. I remember one specifically sitting at James  
2 Brown's office and he called Betty Ann with the value.

3 Q. Was Betty Ann Demola aware that you were buying  
4 houses without any of your own money being down?

5 A. I'm not sure of that.

6 Q. Was Betty Ann Demola aware that you and  
7 Mr. Grieser were taking cash out from the sales?

8 A. Well, she knew I was, the fact that I was selling  
9 the properties. Whether Mr. Grieser was getting cash or  
10 not, I don't know whether she knew that or not.

11 Q. Was Betty Ann Demola aware that the buyers in fact  
12 were straw buyers?

13 A. I can't answer yes or no.

14 Q. Was Betty Ann Demola aware that certain of the  
15 W-2's and paystubs were false?

16 A. Yes, sir.

17 Q. How do you know that?

18 A. I just gave you the description of what happened  
19 on one of the deals where they called up and the person  
20 didn't work there. So...

21 Q. That's the one with the car dealer?

22 A. Yes, sir.

23 Q. Okay. Do you know anything about Kellie O'Neill  
24 preparing false escrow letters?

25 A. No, sir.

1 Q. Do you know whether there were ever any payments  
2 to Mr. DelRusso?

3 A. Not by myself. I don't know if anybody else.

4 Q. As far as you could tell, was Mr. DelRusso a  
5 straight shooter, if I can use that phrase?

6 A. He was -- he was a straight shooter. He was just  
7 a pawn in the chest game, you know.

8 Q. Was it your impression that Betty Ann Demola could  
9 overrule Mr. DelRusso because at a minimum she was a sister  
10 of Robert and James Walsh?

11 A. Yes.

12 MR. MAGNANINI: Object to the form of the  
13 question.

14 MR. KOTT: What's the basis of the objection?

15 MR. MAGNANINI: Phrasing for one thing. At a  
16 minimum.

17 (Counsel talking at once.)

18 BY MR. KOTT:

19 Q. I think I'll pose the question a different way  
20 even though I disagree with my brother, Mr. Magnanini, as to  
21 whether it's improper or not.

22 Was it your impression that Betty Ann Demola could  
23 overrule Mr. DelRusso on underwriting decisions?

24 A. She could overrule him with her persuasion.

25 Q. What do you mean?



1           A. She has to go in and justify it to him. It wasn't  
2 just going in saying, you're changing this and that's it.  
3 She had to go in and plead her case to him and make it sound  
4 like it had to work.

5           Q. The money you made out of this, I know you made  
6 some money from selling properties. Did you make any other  
7 money out of this? Get any other source of funds, anyone  
8 giving you money?

9           A. The mortgage end. The mortgages, I told you I  
10 made money on the points and the back. And, no.

11           What do you mean, as far as anybody else giving me  
12 money? What do you mean by that?

13           Q. Well, I'm just referring to your sources for money  
14 out of this.

15           A. Was the sales and the mortgages.

16           Q. Did the straw buyers in fact get paid for people  
17 using their credit?

18           A. I believe, yes. I never paid them directly. That  
19 was out of Gary's office.

20           Q. Okay.

21           A. You know.

22           Q. Do you know how much they were paid?

23           A. I believe it was \$1,000 a deal with a minimum of  
24 four deals.

25           Q. Was Mr. Grieser's intent in this as a money

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

WALSH SECURITIES, INC.,

Plaintiff,

vs.

Action No. CV 97-3496 (WGB)  
Hon. William G. Bassler

CRISTO PROPERTY MANAGEMENT, LTD.,  
a/k/a G.J.L. LIMITED, DEK HOMES OF  
NEW JERSEY, INC., OAKWOOD PROPERTIES,  
INC., NATIONAL HOME FUNDING, INC., CAPITAL  
ASSETS PROPERTY MANAGEMENT &  
INVESTMENT Co., Inc., CAPITAL ASSETS  
PROPERTY MANAGEMENT, L.L.C., WILLIAM  
KANE, GARY GRIESER, ROBERT SKOWRENSKI, III,  
RICHARD CALANNI, RICHARD DiBENEDETTO,  
JAMES R. BROWN, THOMAS BRODO, ROLAND  
PIERSON, STANLEY YACKER, ESQ., MICHAEL  
ALFIERI, ESQ., RICHARD PEPSNY, ESQ.,  
ANTHONY M. CICALEASE, ESQ., LAWRENCE  
CUZZI, ANTHONY D'APOLITO, DAP CONSULTING,  
INC., COMMONWEALTH LAND AND TITLE INSURANCE  
CO., NATIONS TITLE INSURANCE OF NEW YORK,  
INC., FIDELITY NATIONAL INSURANCE CO.  
OF NEW YORK, COASTAL TITLE AGENCY,  
STEWART TITLE GUARANTY COMPANY,  
IRENE DIFEO, DONNA PEPSNY, WEICHERT  
REALTORS, AND VECCHIO REALTY, INC. D/B/A  
MURPHY REALTY BETTER HOMES and GARDENS.  
Defendants.

/ Volume II, Pages 132-258

DEPOSITION OF: WILLIAM KANE.

DATE/TIME: May 4, 2007; 9:30 a.m.

PLACE: Kanabay Court Reporters  
Feather Sound Square, Suite 19  
Clearwater, Florida

**CONDENSED**

Page 133

Page 135

1 REPORTED BY: Robert William Wagner  
2 Notary Public,  
3 State of Florida at large.

4 APPEARANCES:  
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Appearing via teleconference.

KANABAY COURT REPORTERS  
TAMPA AIRPORT MARRIOTT HOTEL (813) 224-9500  
ST. PETERSBURG - CLEARWATER (727) 821-3320

1 WILLIAM KANE,  
2 the witness herein, being first duly sworn, was examined  
3 and testified as follows:

4 DIRECT EXAMINATION CONTINUED  
5 BY MR. KOTT:

6 Q. Mr. Kane, since your last deposition have you  
7 review anything or talked with anybody about this case?

8 A. No, just verifying I was coming today.

9 Q. Okay. I have two more subjects, not two  
10 questions, but two subjects. The first subject deals with  
11 second mortgages. And my question, there were second  
12 mortgages that were issued by Oakwood Properties or by DEK  
13 Homes.

14 And let me start by asking you, do you recollect  
15 whether there was a time when Walsh Securities changed its  
16 procedures and demanded instead of just a copy of an escrow  
17 letter that there was an endorsed copy of the check or a  
18 copy of the deposit when the closing occurred?

19 A. No.

20 Q. None of that sounds familiar to you?

21 A. No.

22 (Court reporter asks to have microphone moved.)

23 Q. At some point were there second mortgages given by  
24 Oakwood Properties or DEK Homes?

25 A. Right from the get-go, there were second

Page 134

Page 136

1	INDEX		
2	WILLIAM KANE	135	1
3	DIRECT By Mr. Kott	135	4
4	DIRECT By Mr. Calanni	142	7
5	DIRECT By Ms. Patel	153	17
6	DIRECT By Mr. McGowan	158	21
7	REDIRECT By Mr. Kott	163	24
8	DIRECT By Mr. Magnanini	167	18
9	REDIRECT By Mr. Kott	245	10
10	REDIRECT By Mr. Calanni	254	8
11	FURTHER REDIRECT By Mr. Kott	255	6
12	Errata sheet	256	1
13	Reporter's Certificates	257	1

1 mortgages, yes.

2 Q. Who prepared those second mortgages?

3 A. I think an original one was prepared either by  
4 Pepsny or Yacker, and then it was just a form. We just had  
5 a copy of it and just fill it in and put in the package  
6 submitted to Walsh.

7 Q. Okay. So Walsh was aware of the second mortgages?

8 A. Yes.

9 Q. Was Walsh aware -- withdrawn.

10 Were there -- the second mortgages, is that where  
11 the money came from for the deposits?

12 A. Yes, sir.

13 Q. Was Walsh aware that the money from the deposits  
14 came from the second mortgages?

15 A. Depending on how it was. It was either a 90/10 or  
16 an 80/20. And the 20 -- 10 percent would have to be shown  
17 as a deposit, with the 10 percent as a mortgage. But, yes,  
18 the second mortgage had to be submitted with your package.

19 Q. I know that, but was Walsh aware that the deposit  
20 was coming from the second mortgage?

21 MR. MAGNANINI: Objection to form.

22 A. Again, it would depend on what -- which program  
23 they were going under. If they were going under an 80/20,  
24 Walsh would require 10 percent down, 10 percent mortgage, or  
25 a 20 percent mortgage, no down.

2 (Pages 133 to 136)

Page 137

1 BY MR. KOTT:

2 Q. Who was giving the second mortgages? Who was the  
3 lender?

4 A. It would be the seller of the property, whether it  
5 be DEK, Oakwood, or Cristo.

6 Q. And did DEK or Oakwood ever collect money on the  
7 second mortgages?

8 A. DEK tried. It's my understanding Dinaso's still  
9 trying.

10 Q. Did you have any discussions with Mr. Grieser  
11 about the second mortgages?

12 A. Just that they would never be collected. You  
13 know, it was just a -- you know, it would never be  
14 collected.

15 Q. That's why I asked, because Mr. Grieser testified  
16 in his deposition that he was told by you that the second  
17 mortgages were supposed to be forgiven.

18 A. Yes.

19 Q. Okay. And --

20 A. I don't know whether it was by me -- excuse me. I  
21 don't know whether it was by me or D'Apolito, you know, who  
22 was our intermediate. But there was -- the second mortgages  
23 with -- let me put it this way. With Cristo and Oakwood,  
24 definitely not collected. With Dinaso, he was trying to  
25 collect on everything. So...

Page 138

1 Q. Was Walsh Securities aware that the second  
2 mortgages would not be collected?

3 A. D'Apolito and Kellie, yes. Up above, I don't  
4 believe so. It was never a discussion.

5 Q. And were these second mortgages given by your  
6 companies the way -- the way to get around the deposit  
7 requirements that Walsh had?

8 A. Well, it wasn't to get around the deposit  
9 requirements. It was whichever program you were under.  
10 Okay? At one point it was -- they required a minimum of 10  
11 percent down, and they allowed a 10 percent mortgage; or in,  
12 I think January of 1996, it went to an 80 percent loan with  
13 a 20 percent mortgage.

14 Q. Okay. The other subject I wanted to ask you about  
15 was a few more questions about Robert Skowrenski and his  
16 company National Home Funding.

17 A. Uh-huh.

18 Q. Have you -- withdrawn.

19 Do you have an understanding of the allegations  
20 that Mr. Magnanini is making in this lawsuit on behalf of  
21 Walsh; that is, what he is alleging the frauds were?

22 A. Basically, yes.

23 Q. Tell us what your understanding is. And I  
24 understand it's only a basic understanding.

25 A. Is that basically that he knew nothing about what

Page 139

1 was going on and that everybody defrauded him.

2 Q. On the subject of every -- well, on the subject of  
3 he knew -- he didn't know what was going on, you're  
4 referring to Robert Walsh?

5 A. Yes, sir.

6 Q. On the subject of everybody defrauded him, do you  
7 have any knowledge with respect to whether Mr. Skowrenski or  
8 anybody with his company, National Home Funding, engaged in  
9 any fraud or acts of dishonesty in connection with these  
10 transactions?

11 A. To sit down and tell you a specific deal or a  
12 specific situation, no. Did Robbie know everything that was  
13 going on? 100 percent.

14 Q. Why do you say that Robbie Skowrenski knew  
15 everything that was going on with the frauds 100 percent?

16 A. Again, it was just common. It was known that the  
17 money was going back to Gary to do the work. I can't for  
18 sure say he knew about the straw buyers. Do I believe it?  
19 Yes.

20 Robbie's girlfriend's sister wound up being one of  
21 Gary's girlfriends, so she knew everything that was going  
22 on. At the end when the -- everything became public and  
23 there was subpoenas out, Bobbie was purging all of his  
24 files.

25 So, you know, to say -- again it's 10, 11 years --

Page 140

1 a specific situation or specific action, no. But in  
2 general, yes, he knew.

3 Q. When you said subpoenas were served, Bobbie  
4 Skowrenski purged his files, are you referring to subpoenas  
5 that were served by the Federal Bureau of Investigation?

6 A. No, I believe it was the first subpoenas that came  
7 down from the Monmouth County Prosecutor's Office.

8 Q. Prosecutor?

9 A. Yes.

10 Q. And when the Monmouth County Prosecutor's Office  
11 served those subpoenas, were they starting to investigate  
12 the frauds that we're talking about in this case?

13 A. Yes, sir.

14 Q. Okay. And when you say that Mr. Skowrenski purged  
15 his files when the Monmouth County Prosecutor's served the  
16 subpoenas, what do you mean by the term "purged his files?"

17 A. Well, there was one night -- I can't give you a  
18 date or specifics on it -- but I was at his office in  
19 Freehold with Anthony D'Apolito, myself, his girlfriend, his  
20 girlfriend's sister, and another gentleman that Bobbie had  
21 working for him, I forget his name; and they were going  
22 through file by file, pulling papers out, putting them in  
23 the shredder. And then they moved all the files out of the  
24 office.

25 Q. Was Mr. Skowrenski one of the people that night

3 (Pages 137 to 140)

Page 141

1 who was pulling papers out of the files and shredding them?  
 2 A. Yes, sir.  
 3 Q. And when say Mr. Skowrenski moved the files out of  
 4 the office, what do you mean?  
 5 A. He took all the files and brought them to his  
 6 house.  
 7 Q. Okay. Was that -- did those activities occur  
 8 after the Monmouth County Prosecutor had served the  
 9 subpoenas?  
 10 A. I don't believe the Monmouth County Prosecutors  
 11 had served him with subpoenas. I believe Walsh. So, yes,  
 12 it was after the fact.  
 13 Q. Okay. Do you know why it was that Mr. Skowrenski  
 14 would have removed files from his office to his house after  
 15 Walsh was served with criminal -- I'm sorry -- subpoenas  
 16 from the Monmouth County Prosecutor?  
 17 A. To make sure that he had nothing in his files that  
 18 could hurt him.  
 19 Q. Okay.  
 20 A. I mean, that's an assumption. There's no other  
 21 reason why to purge it.  
 22 MR. KOTT: Okay. Mr. Kane, I don't have any  
 23 further questions. The way we've been doing these  
 24 depositions is the defendants have been asking all  
 25 the questions before Mr. Magnanini does.

Page 143

1 And so far what I've seen is exactly what I've been  
 2 expecting and in the answers from you, at least 95 percent  
 3 from what I can tell, have been truthful.  
 4 And one thing you did say was when Mr. Kott asked  
 5 you, "Did you ever pay any appraisers \$1,500," I've been  
 6 bombarded with that question because I was told from  
 7 deposition that Anthony D'Apolito has said you paid me  
 8 \$1,500 an appraisal cash.  
 9 Did that ever happen, Bill?  
 10 A. No.  
 11 Q. Did you and I ever sit down to conspire against  
 12 anyone?  
 13 A. No.  
 14 Q. When we first met, we basically were talking about  
 15 pricing, the pricing of appraisals. And that's a normal  
 16 thing two businessmen would do. I continued to have said  
 17 that my appraisals and my work included an appraisal and  
 18 included a final inspection.  
 19 When we sat down and spoke about doing the  
 20 appraisal fees, do you recall that my basic appraisal for  
 21 multi-families, whether it was two or four families, were  
 22 around \$450?  
 23 A. I have no clue about what the fees were.  
 24 Q. Do you remember us discussing that because there  
 25 were so many final inspections that we finally came to a

Page 142

Page 144

1 So I think the next lawyer who is going to  
 2 question you is Mr. Calanni, who is a defendant in  
 3 the case and was an appraiser; and he is what we  
 4 call pro se, which means he does not have a lawyer.  
 5 THE DEPONENT: Okay.  
 6 (Discussion off the record.)  
 7 DIRECT EXAMINATION  
 8 BY MR. CALANNI:  
 9 Q. Bill, did notice he called me an attorney when he  
 10 first introduced me to you?  
 11 A. Yes, sir.  
 12 Q. I moved up from an appraiser to an attorney.  
 13 Bill, you and I have gone through hell is the  
 14 least to say here. I'm not an attorney. There's no trick  
 15 questions here. There's no follow-ups. It's just me and  
 16 you. And you and I worked together in a certain routine  
 17 along with Robert; and with us, there's one -- there's two  
 18 answers; one is either the truth or one is a lie. And what  
 19 I read in the paper was at the time you were sentenced, you  
 20 did say, "Your Honor, I want to make things right." And  
 21 this is your opportunity with me.  
 22 First of all, there were things that I was told  
 23 you said during the investigation with the FBI that I didn't  
 24 believe and I wouldn't believe. And I waited this long to  
 25 get an opportunity to talk to you and ask you questions.

1 conclusion and a reasonable understanding it would be better  
 2 to just put one price on the appraisals rather than  
 3 continuously keep billing you for final inspections?  
 4 A. I don't remember any final inspections to be  
 5 honest with you, and I don't remember the conversation. The  
 6 only time I remember is on reinspections if there was wood  
 7 on the windows and we had to go back. But as far as final  
 8 inspections and things like that, you know, that had to be  
 9 something with DEK maybe. Nothing with Cristo because  
 10 Cristo never did any of the work. I know in the beginning  
 11 DEK was trying to do work, but -- or D & Sons, but I never  
 12 did any of the work. So...  
 13 Q. Your brother-in-law Gary, is that his name?  
 14 A. That's correct.  
 15 Q. Okay. Didn't Gary come with me onto sites?  
 16 A. Surely.  
 17 Q. And Gary also came with me to see if certain parts  
 18 of the jobs were done on some of the sites also; isn't that  
 19 correct?  
 20 A. Only for ascetics because we never did any major  
 21 construction works on anything we sold.  
 22 Q. There aren't any houses that I went into that were  
 23 being repaired at any given time?  
 24 A. Possibly for D & Sons. For Cristo, no. Not --  
 25 Cristo, we never did work. The only time we did some work



Page 169

1 sequence?

2 A. Yes. Again, just summing it up, remember I was in  
3 and out of that meeting. I go out, phone, cigarettes. But  
4 the gist of the meeting was is that he told Rick how the  
5 deals had to be done. I mean, you know, what was there, was  
6 there, and that's the way it was recorded. But he told Rick  
7 the sequence going forward.

8 Q. So the deals that had been recorded where Cristo  
9 had sold a property before it had acquired title, they  
10 were -- they were wrong? They were improper in some way?

11 A. Yes, they were improper, yes, because, you know,  
12 we sold before we bought.

13 Q. And did Coastal Title Agency record deeds for  
14 these transactions?

15 A. I believe so, yes, sir.

16 MR. KOTT: What time period? At the time of  
17 the transaction?

18 MR. MAGNANINI: Well, not at the time of the --  
19 well, after --

20 MR. KOTT: Well, the reason I made the  
21 objection was because the witness had previously  
22 said some of the deeds were not recorded until a  
23 great deal --

24 MR. MAGNANINI: -- after.

25 BY MR. MAGNANINI:

Page 171

1 not only at the same time, but they received 30 such  
2 transactions at one time?

3 A. Yes.

4 Q. Did Mr. Agel mention at the meeting that he had an  
5 obligation to tell anybody about this? Tell a lender or  
6 tell anyone else?

7 A. Not to my recollection.

8 Q. Going back to Mr. Calanni's questions to you. He  
9 had asked you about one time that he thought Kellie O'Neill  
10 had wanted him to remove Cristo Property as an owner on the  
11 appraisal, and you said you didn't have any recollection of  
12 that.

13 MR. CALANNI: Can I object to that? I never  
14 said I thought. I said you did.

15 MR. MAGNANINI: Okay. There we go. Even  
16 better. I got -- Calanni for my co-counsel.

17 BY MR. MAGNANINI:

18 Q. So does that make any business sense or how could  
19 you -- I'm sorry. It's a poorly phrased question.

20 But what sense does it make to have Cristo removed  
21 as owner of the appraisal if in fact Cristo is listed as the  
22 seller on the property and Cristo would be receiving the  
23 money that was being wired to one of the closing agents?

24 A. The only thing is if they got the title in and  
25 Cristo wasn't on the title report.

Page 170

1 Q. Okay. Yes. Well, what I'm focused on are the  
2 transactions in which Cristo has sold them before it's  
3 acquired title.

4 Were those transactions recorded by Coastal Title  
5 Agency?

6 A. Okay. The sequence in the way it went was nine  
7 out of ten times we'd sell it before it was bought. Okay?  
8 And then I believe it was up to Lori, who was supposed to  
9 take both the buy title and buy deed and the sell deed and  
10 put them over to Coastal Title.

11 So it wasn't that a -- Rick sent something first  
12 and then Yacker's office sent something second. Okay? They  
13 were all supposed to go together, and that's how when they  
14 got these 10, 20, 30 deals, whatever it was in the  
15 beginning, at one shot, is when it came out.

16 Q. Okay. And by Lori, do mean Lorraine King?

17 A. Lorraine King, yes.

18 Q. And who was she, Mr. Kane?

19 A. She was -- well, she ran Stanley Yacker's office.  
20 She did everything.

21 Q. Did she also work of Mr. Cicalese?

22 A. Yes, she did.

23 Q. Okay. So your testimony is then that Coastal  
24 Title would actually receive a package from Ms. King that  
25 included both a purchase by Cristo and a sale by Cristo and

Page 172

1 Q. And -- okay. So then at that point, Kellie  
2 O'Neill -- and you had said -- you had testified last time  
3 that you had paid Kellie O'Neill some money to process  
4 paperwork for you?

5 A. Yes, sir.

6 Q. And how much did you pay her? Did you pay her per  
7 loan or was it each week?

8 A. It was per loan.

9 Q. And how much was that?

10 A. You know, in the beginning -- again, before I'm  
11 almost positive my testimony last time was it was like \$100  
12 or \$150. And then it came to a point, I believe, we would  
13 give the money directly to D'Apolito, and then he was taking  
14 care of her. To say the exact dollar amount, I don't  
15 remember, sir.

16 Q. And just when we had deposed Ms. O'Neill she had  
17 testified that she only recalled receiving one payment. She  
18 did not actually recall the amount and said that it was to  
19 prepare a one false escrow letter based on -- again, this is  
20 her testimony -- that you had told her that Mr. Yacker had  
21 money in his escrow account, which in fact wasn't there, and  
22 to prepare three leases.

23 But your testimony is you paid her to actually  
24 process --

25 A. Yes.

11 (Pages 169 to 172)

Page 173

Page 175

1 Q. -- every loan package?  
 2 A. Yes. She got paid on every deal because we had to  
 3 get our deals put ahead of time, and problems she'd catch,  
 4 different things. So it was every deal.  
 5 Q. Okay. So in the event that the title paperwork  
 6 showed up and she saw that Cristo wasn't listed as an owner,  
 7 one of the things you would have paid her to do was to call  
 8 an appraiser like Mr. Calanni and have them to try and  
 9 change the appraisal?  
 10 MR. KOTT: Object.  
 11 BY MR. MAGNANINI:  
 12 Q. You can answer. He can object.  
 13 A. Yes. I mean, we would call him up and say, hey,  
 14 you know -- going back assuming, I don't remember any  
 15 specific instances; but the only time it would was if it was  
 16 in underwriting and the title was there and it got caught,  
 17 we'd just have to change it. That would be the only reason.  
 18 Q. Did Betty Ann Demola know that you were paying  
 19 Kellie O'Neill?  
 20 A. No.  
 21 Q. Did she know that you were paying Mr. D'Apolito?  
 22 A. No.  
 23 Q. Did either Robert Walsh of James Walsh know that  
 24 you had paid Kellie O'Neill and Mr. D'Apolito?  
 25 A. No.

1 Q. Okay.  
 2 A. Do you remember the name? I'll tell you.  
 3 Q. No, it was a conversation at a break during  
 4 another deposition. But it doesn't -- it doesn't stick in  
 5 my head. But I have, like I said, different things that I'd  
 6 like to get some confirmation on if possible.  
 7 And then you worked, you testified, at National  
 8 Home Funding as a loan originator?  
 9 A. Yes, sir.  
 10 Q. What was the structure of National Home Funding  
 11 when you worked there?  
 12 A. I wouldn't say there was a structure. We'd do our  
 13 loans, drop them off, and either give them to the secretary  
 14 or, you know, Robbie. And if things were missing, either  
 15 the girls that worked for me would put it in, or I remember  
 16 Robbie's girlfriend would come down to the office and put  
 17 things together in my office. You know, things like that.  
 18 Q. You testified that you did not have an office at  
 19 National Home Funding; is that correct?  
 20 A. That is correct.  
 21 Q. And then how many loan originators were affiliated  
 22 with National Home funding at the time you were there?  
 23 A. Well, there was myself. There was a couple other  
 24 guys. There was another guy from Walsh used to put his  
 25 loans through Robbie into Walsh. I don't remember his name

Page 174

Page 176

1 Q. Mr. Kane, one of the problems with all cases is  
 2 the longer you do them, the more information you amass; and  
 3 then the more depositions you have, the more people say.  
 4 And one of the things I believe we had heard was  
 5 that Mr. Epp or Mr. Dinaso were both involved in the  
 6 condominium project in Brooklyn that was being investigated  
 7 by the Eastern District of New York; is that in fact true?  
 8 A. You mean my project?  
 9 Q. Your project, yes.  
 10 A. That's incorrect.  
 11 Q. And then we also heard -- this one wasn't sworn  
 12 testimony, so I give it less credence. But we'd also heard  
 13 at a break that at some point the mafia had sent someone to  
 14 have you executed, and you talked your way out of that?  
 15 A. To have me executed? No, I don't know about that.  
 16 Q. To have you shot or -- you don't recall anyone  
 17 showing up to shoot you from the mob or the mafia or  
 18 anything like that?  
 19 A. I don't remember trying to be shot, but I'm sure  
 20 there were instances.  
 21 Q. Okay. Yes, they didn't have any details on it.  
 22 It was a claimed prison meeting of -- of this person with  
 23 the supposed assassin.  
 24 MR. KOTT: I can't remember his name.  
 25 BY MR. MAGNANINI:

1 He had people in and out. It was -- you say, there was  
 2 three, four, five. You know, I knew a couple, like two.  
 3 Q. Did you receive a salary from National Home  
 4 Funding?  
 5 A. No.  
 6 Q. Did they pay you commission for the loans you  
 7 brought in?  
 8 A. Yes.  
 9 Q. And then how were your commissions determined?  
 10 A. It was whatever I charged minus a quarter or a  
 11 half, whatever Bobbie was receiving at the time,  
 12 Mr. Skowrenski. So whatever I put on the loan, whether it  
 13 be on the back end or the front end, it would be -- he would  
 14 take off his part, and I would get the difference minus a  
 15 processing fee.  
 16 Q. And Mr. Skowrenski got the quarter or a half or  
 17 eighth, whatever of the point --  
 18 A. Right.  
 19 Q. -- because you had to use his license to put the  
 20 loans through as a licensed mortgage loan broker?  
 21 A. Yes, sir.  
 22 Q. Did you have any sort of sales quota from National  
 23 Home Funding?  
 24 A. No, sir.  
 25 Q. How many loans did you bring into National Home

Page 249

1 mortgage back.

2 Q. Okay. And did she tell you all of those events?  
3 The events around this DiBenedetto mortgage, did she tell  
4 you that as she was discussing with you going to have the  
5 houses looked lived in because Greenwich Capital was coming  
6 to look at some of the houses?

7 A. I believe she had -- I had known about this prior  
8 to the Greenwich coming down -- you know, when they were  
9 going to look at our houses.

10 Q. And did she discuss it again with you when she had  
11 the discussion with you about Greenwich coming down?

12 A. I could say yes. I could say no. I honestly  
13 don't remember.

14 Q. Okay. Fair enough.

15 What -- was it your thought at the time when Betty  
16 Ann Demola told you to have the houses looked in that she  
17 had a concern that the ultimate lender here, Greenwich  
18 Capital, would ask Walsh to buy back the securities -- I'm  
19 sorry -- to buy back the mortgages?

20 MR. MAGNANINI: Objection to form.

21 A. No, because I don't think -- again, my opinion is  
22 that they were sold. So I think Walsh -- my opinion was  
23 Greenwich was just going out to look at stuff they had done  
24 already. Because I was under the assumption that the minute  
25 a deal comes in, Greenwich funds it; and then within

Page 251

1 you know, board-ups on the windows or houses in disarray.  
2 BY MR. KOTT:

3 Q. What were you afraid about? You said you assumed  
4 she would have been afraid of the same thing as you. What  
5 were you afraid of?

6 A. You know, wood on the windows, and, you know,  
7 being cut off, not being able to close loans if Greenwich  
8 sees that there's -- the houses aren't the way they're  
9 supposed to be.

10 Q. And you mentioned that these houses were supposed  
11 to have leases, and I think you said earlier that all the  
12 leases in these transactions we're talking about in this  
13 case were phony; is that correct?

14 A. That is correct, sir.

15 Q. Was Mr. Skowrenski aware that all of the leases  
16 we're talking about in these transactions were phony?

17 A. Without a doubt.

18 Q. Okay. And was Mr. -- we had some discussions  
19 about 60/40; that is, the transfer -- the later transfer  
20 60/40.

21 Was Mr. Skowrenski aware of the 60/40 transfers?

22 A. To the best of my knowledge, yes.

23 Q. Okay. And I think you told Mr. Magnanini that  
24 Ms. Demola was aware that you owned Cristo Properties; is  
25 that correct?

Page 250

1 x-amount of time, the deal's gone. It's off -- it's off  
2 their warehouse line. So...

3 BY MR. KOTT:

4 Q. I'm trying to get inside your head, your thought  
5 process:

6 A. You're in trouble.

7 Q. When Betty Ann told you to make sure -- go out and  
8 have these looked at -- I'm sorry -- have these houses look  
9 okay when Greenwich was coming down to inspect them, why did  
10 you think she was telling you that? That is, what was her  
11 reason for doing that?

12 A. Her reason must have been that she was nervous  
13 about something, you know, to make sure there was no wood on  
14 the windows or, you know, curtains in the windows, just not  
15 empty homes. Remember, these -- assuming all these had  
16 leases on them.

17 Q. Okay. But do you know what she was nervous about?

18 MR. MAGNANINI: Objection to form.

19 A. I don't think I was -- I could say what she was  
20 nervous about. I know what I was nervous about, which I  
21 assume would have been the same thing, you know, nothing was  
22 ever sat down and said that, you know, houses or boards up.  
23 There was an air of assumption there that everyone knew what  
24 was going on.

25 So I would assume that she was afraid of boards,

Page 252

1 A. That is correct.

2 Q. I want to talk about Ms. Demola's interaction with  
3 you and her knowledge about your involvement here.

4 You and Ms. Demola met on a very regular basis; is  
5 that fair?

6 A. Whenever I was up there, yes.

7 Q. And you were up there about how many times a  
8 month?

9 A. Most of the time would be towards the end of the  
10 month, the last couple of days.

11 Q. Would it be on average once a month or more than  
12 once a month?

13 A. I would say probably two to three times a month.

14 Q. Okay. And Ms. Demola was aware that you owned  
15 Cristo Properties; is that correct?

16 A. That's correct.

17 Q. Was Ms. Demola aware that you originated these  
18 loans? That is, that you were working for Mr. Skowrenski?

19 A. I believe my name was on all the applications. So  
20 whether she looked through the applications or not, I'm not  
21 100 percent sure. She knew -- any time there was a problem,  
22 she would speak to Skowrenski directly. But just -- I don't  
23 know. I can't answer your question there. You know, I can  
24 assume and surmise, but...

25 MR. KOTT: Mr. McGowan needs to leave. Do you

31 (Pages 249 to 252)



Page 253

Page 255

1 have any questions before you leave?  
 2 MR. McGOWAN: No, I'm just going to go.  
 3 BY MR. KOTT:  
 4 Q. Mr. Kane, I really am coming to the end.  
 5 Let me try it this way. You were kind of weaved  
 6 through a lot of these transactions wearing a variety of  
 7 hats; is that a fair statement?  
 8 A. That's an accurate statement, yes.  
 9 Q. What I was driving at is whether Ms. Demola knew  
 10 all the hats that you wore in these transactions.  
 11 Do you know whether she knew all the various hats  
 12 you wore?  
 13 A. I can't say yes or no to that. I really can't.  
 14 She knew -- I know she knew I owned Cristo. She knew I was  
 15 affiliated with National Home Funding because the deals were  
 16 coming through National Home Funding. She knew I brought  
 17 the deals up to National Home Funding.  
 18 Whether she knew or not I was writing the loans, I  
 19 can't answer you that question. I don't know. Unless, you  
 20 know -- I never saw her look, take a 1003 and look at it and  
 21 say -- you know, and see my name on it. I don't know.  
 22 Q. But all that information would have been in the  
 23 files; correct?  
 24 A. Yes.  
 25 MR. MAGNANINI: Objection to the form of the

1 MS. PATEL: I don't have any further questions.  
 2 MR. MAGNANINI: No further questions.  
 3 THE DEPONENT: All rightie.  
 4 MR. KOTT: Mr. Kane, just one or two others.  
 5 THE DEPONENT: You said you were finished.  
 6 FURTHER REDIRECT EXAMINATION  
 7 BY MR. KOTT:  
 8 Q. This is more of housekeeping. We have your home  
 9 address.  
 10 If we wanted to reach you again, besides your home  
 11 is there any other way we would reach you; a business  
 12 address, a second phone, anything like that?  
 13 A. No, sir.  
 14 MR. KOTT: Okay. Thank you.  
 15 THE DEPOSITION WAS CONCLUDED AT 1:40 p.m.

Page 254

Page 256

1 question.  
 2 BY MR. KOTT:  
 3 Q. And would Ms. Demola have known about the 60/40  
 4 arrangement?  
 5 A. No.  
 6 MR. KOTT: Thank you. I do not actually have  
 7 any further questions.  
 8 REDIRECT EXAMINATION  
 9 BY MR. CALANNI:  
 10 Q. Just a couple, Bill. I'm the only appraiser that  
 11 shows up for the depositions or court, whatever. And it  
 12 seems to me when a question's asked about appraisers, it's  
 13 always appraisers like Rich Calanni. So I need to clear up  
 14 something here.  
 15 (Court reporter asks for the microphone to be moved.)  
 16 BY MR. CALANNI:  
 17 Q. Did you get what I said?  
 18 A. Yes, we got that so far.  
 19 Q. Did you ever call me to ask me to come up with a  
 20 price on an appraisal?  
 21 A. Not to my recollection, no.  
 22 MR. CALANNI: All right, Bill.  
 23 THE DEPONENT: Okay.  
 24 MR. CALANNI: Yes, there are others, but I  
 25 think Mr. Kott covered it and...

# ERRATA SHEET

2	PAGE	LINE	CORRECTION
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WILLIAM KANE (DATE)

# Exhibit I

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
CIVIL NO. 97-3496 (DRD)

-----  
WALSH SECURITIES,  
INC.,

Plaintiff,

v.

CRISTO PROPERTY  
MANAGEMENT, LTD., a/k/a  
G.J.L. LIMITED; DEK  
HOMES OF NEW JERSEY,  
INC.; OAKWOOD  
PROPERTIES, INC.;  
NATIONAL HOME FUNDING,  
INC.; CAPITAL ASSETS  
PROPERTY MANAGEMENT &  
INVESTMENT CO., INC.;  
CAPITAL ASSETS  
PROPERTY MANAGEMENT,  
L.L.C.; WILLIAM KANE;  
GARY GRIESER; ROBERT  
SKOWRENSKI, II;  
RICHARD CALANNI;  
RICHARD DI BENEDETTO;  
JAMES R. BROWN; THOMAS  
BRODO; ROLAND PIERSON;  
STANLEY YACKER, ESQ.;  
MICHAEL ALFIERI, ESQ.;  
RICHARD PEPSNY, ESQ.;  
ANTHONY M. CICALEASE,  
ESQ.; LAWRENCE CUZZI;  
ANTHONY D'APOLITO; DAP  
CONSULTING, INC.;  
COMMONWEALTH LAND  
TITLE INSURANCE CO.;  
NATIONS TITLE  
INSURANCE OF NEW YORK,  
INC.;

**ORIGINAL**

DEPOSITION UPON  
ORAL EXAMINATION  
OF  
ROBERT C. WALSH

1 FIDELITY NATIONAL :  
2 TITLE INSURANCE CO. OF :  
3 NEW JERSEY; COASTAL :  
4 TITLE AGENCY; DONNA :  
5 PEPSNY; WEICHERT :  
6 REALTORS and VECCHIO :  
7 REALTY, INC. D/b/a :  
8 MURPHY REALTY BETTER :  
9 HOMES AND GARDENS, :  
10

11 Defendants. :  
12 -----  
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11 T R A N S C R I P T of the stenographic  
12 notes of HOWARD A. RAPPAPORT, a Notary Public and  
13 Certified Shorthand Reporter of the State of  
14 New Jersey, Certificate No. XI00416, taken at the  
15 offices of MC CARTER & ENGLISH, LLP, Four Gateway  
16 Center, Newark, New Jersey, on Friday,  
17 April 9, 2010, commencing at 9:35 a.m.  
18  
19  
20  
21  
22  
23  
24  
25

1 A P P E A R A N C E S:

2 STONE & MAGNANINI

150 John F. Kennedy Parkway  
3 Short Hills, New Jersey 07078

BY: ROBERT A. MAGNANINI, ESQ.,  
4 AMY WALKER WAGNER, ESQ.,  
For the Plaintiff

5 MC CARTER & ENGLISH, LLP

6 Four Gateway Center  
100 Mulberry Street

7 Newark, New Jersey 07102-0652

BY: DAVID R. KOTT, ESQ.,  
8 For Defendant/Third-Party Plaintiff Commonwealth Land  
Title Insurance Company

9 FOX, ROTHSCHILD, O'BRIEN & FRANKEL

10 997 Lenox Drive  
Lawrenceville, New Jersey 08648

11 BY: EDWARD J. HAYES, ESQ.,  
For Defendants Nations Title Insurance and  
12 Fidelity National Title Insurance

13 METHFESSEL & WERBEL

3 Ethel Road  
14 Suite 300  
Edison, New Jersey 08818

15 BY: MARTIN R. MC GOWAN, ESQ.,  
For Coastal Title Agency

16

17

18

19

20

21

22

23

24

25

Walsh - direct

Page 21

1 The closing was then going to be scheduled.

2 Walsh would get closing letter  
3 instructions, they would send the closing  
4 instructions to Mr. Yacker.

5 Mr. Yacker would then take the funds  
6 that were being sent -- in the majority of the cases  
7 Mr. Kane did not own the property yet -- the funds  
8 were then transferred from Mr. Yacker. Mr. Yacker --  
9 a part of the funds would allow Mr. Kane to backdate  
10 and buy the property before he actually acquired it  
11 with the proceeds of this particular loan.

12 Mr. Kane, from the corporations, was the  
13 mastermind of this transaction. He was the one that  
14 put the players in place and he started the  
15 transactions and picked and chose who he was going to  
16 be involved with.

17 Q And you said Mr. Kane was the mastermind  
18 of the fraud?

19 A That is definitely my understanding.

20 Q And would you also call him the  
21 ringleader of the frauds?

22 A Sure.

23 Q You used a couple of phrases in that  
24 answer. You referred to a straw buyer. What is a  
25 straw buyer?

Walsh - direct

Page 93

1 Q Why?

2 A In case of a default, the ability to  
3 understand what you're going to be able to achieve in  
4 recovery value.

5 Q Are B and C loans referred to as sub  
6 prime loans?

7 A They are.

8 Q And sub prime is just another way of  
9 saying they are not made to the most creditworthy  
10 borrowers, is that true?

11 A That is correct.

12 Q Are appraisals of great importance to a  
13 lender who is making B and C loans?

14 A I'm sure it is important to all lenders.

15 Q Why is that? Why would the B and C  
16 loan, the appraisals, be critically important?

17 A I said all lenders, A lenders as well as  
18 B and C lenders.

19 Q The appraisal more important with a C  
20 loan than an A loan?

21 A I don't think so.

22 Q Did your company have something called  
23 programs?

24 A Yes.

25 Q Was your company, in the time frame we

Walsh - direct

Page 124

1 acquire the Citiscape's judgment against Walsh?

2 A Approximately some properties that we  
3 owned outside of this transaction, and some cash and  
4 a note.

5 Q The properties that you owned, was that  
6 by virtue of foreclosure on mortgage?

7 A It was a combination, but, yes.

8 Q Does your company do any business  
9 directly or indirectly with William Kane since you  
10 learned of the frauds?

11 A I have not, no.

12 Q I asked about the company.

13 A The company does not.

14 Q The fraudulent loans that your company  
15 purchased from Selective, do you know whether William  
16 Kane was involved in that?

17 A I don't know.

18 Q Why were the deals with NHF structured  
19 that it would be NHF would order the appraisal rather  
20 than Walsh?

21 A All our correspondence, all our  
22 participants order their own appraisals.

23 Q Why is that the case?

24 A They were the real lender.

25 Q And were they also the insured under the



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Livingston, NJ 07039  
(973) 992-7650 Fax (973) 992-0666  
1-888-444-DEPS  
E-mail: reporters@rrdrcsr.com



Walsh - direct

Page 125

1 title policies issued by the Commonwealth and  
2 Fidelity, Nations title insurers?

3 A They were the insured on the letter and  
4 the assignees.

5 Q How about under the policies? Who was  
6 the insured under the policies?

7 A It would be the same.

8 Q The policies were issued not only to  
9 NHF, but also to assigns?

10 A Yes. And I got to double-check that. I  
11 will get back to you, but to my knowledge --

12 Q I'm not saying you're wrong, but you  
13 should check that.

14 A Yeah, I'll check that.

15 Q When did you start thinking about  
16 selling the company?

17 A I acquired the company on April 16th, I  
18 think, of '96.

19 Q Right.

20 A Greenwich was my partner. We had some  
21 early discussions, I think we hired NatWest, which  
22 was -- NatWest Securities, which was the parent  
23 company, brokerage firm, sister company of Greenwich,  
24 and we looked at doing potentially a public offering  
25 in June of 1996.

Walsh - direct

Page 126

1 It was way too premature.

2 Q So about two months after you formed the  
3 company you started to think about selling it?

4 A Greenwich wanted to bring in NatWest to  
5 try to come up with some strategic plans for going  
6 forward.

7 Q Let me try the question again.

8 Would it be true to say within two  
9 months of your purchasing Walsh Securities, you  
10 started to think about selling it?

11 A Oh, sure.

12 Q When did you tell your sister, Bette Ann  
13 DeMola, that that was -- that that thought process  
14 was going on?

15 A Probably more towards December, January  
16 of -- December '96, January of '97.

17 Q Now, would it be true -- withdrawn.

18 Do you know what made you an attractive  
19 merger candidate for Resource?

20 A Yeah, strategic fit. We were making a  
21 lot of money.

22 Q Was the quantity of loans that Bette Ann  
23 DeMola was putting on the books something that would  
24 have been attractive to Resource?

25 A I think profitability. Number of loans

Walsh - direct

Page 127

1 is meaningless. Doing 96 million or \$98 million a  
2 month was meaningless. It was how much money you  
3 were producing. That was really what it was all  
4 about.

5 Q In terms of money you are producing, on  
6 a mortgage loan, as long as it's current, that's  
7 considered profitable, right?

8 A Yes.

9 Q So if you sell a fraudulent loan and it  
10 stays current for two years, it continues to look to  
11 be profitable, correct?

12 A Correct.

13 Q Would you agree that therefore anyone  
14 who is going to obtain stock in Resource by virtue of  
15 the merger would have an incentive to have Walsh  
16 appear to be more profitable to Resource?

17 MR. MAGNANINI: Objection to form.

18 Go ahead.

19 A The answer is yes, David, but not on  
20 these loans.

21 MR. KOTT: It's 12:30, how about we take  
22 a break for lunch?

23 (Luncheon recess.)

24 A F T E R N O O N S E S S I O N

25 (Deposition resumes at 1:40 p.m.)

Walsh - direct

Page 138

1 referring to?

2 A Yes.

3 Q Were there any other companies in that  
4 time period who Walsh was selling loans to?

5 A Yes. We were selling quite a bit of  
6 loans to The Money Store, and The Money Store did not  
7 have the appraisal issue.

8 Citiscape was the only investor that had  
9 the appraisal issue.

10 So one of the reasons why we were able  
11 to renegotiate with Citiscape to drop it was because  
12 they wanted to continue to buy loans from us and we  
13 didn't want to sell them loans.

14 We had sold loans to The Money Store.  
15 We sold loans to Ames. We sold loans to Beneficial,  
16 we sold loans to probably 10 different investors, our  
17 largest being The Money Store.

18 Citiscape was a pretty large buyer of  
19 our loans as well.

20 Q Did those other companies, Beneficial,  
21 Money Store, Ames, that you mentioned, what was your  
22 agreement with them as it relates to appraisals?

23 A We had none.

24 Q What is a flip?

25 A A flip, as being heard in this case,

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
CIVIL NO. 97-3496 (DRD)

-----  
WALSH SECURITIES,  
INC.,

Plaintiff,

v.

CRISTO PROPERTY  
MANAGEMENT, LTD., a/k/a  
G.J.L. LIMITED; DEK  
HOMES OF NEW JERSEY,  
INC.; OAKWOOD  
PROPERTIES, INC.;  
NATIONAL HOME FUNDING,  
INC.; CAPITAL ASSETS  
PROPERTY MANAGEMENT &  
INVESTMENT CO., INC.;  
CAPITAL ASSETS  
PROPERTY MANAGEMENT,  
L.L.C.; WILLIAM KANE;  
GARY GRIESER; ROBERT  
SKOWRENSKI, II;  
RICHARD CALANNI;  
RICHARD DI BENEDETTO;  
JAMES R. BROWN; THOMAS  
BRODO; ROLAND PIERSON;  
STANLEY YACKER, ESQ.;  
MICHAEL ALFIERI, ESQ.;  
RICHARD PEPSNY, ESQ.;  
ANTHONY M. CICALESE,  
ESQ.; LAWRENCE CUZZI;  
ANTHONY D'APOLITO; DAP  
CONSULTING, INC.;  
COMMONWEALTH LAND  
TITLE INSURANCE CO.;  
NATIONS TITLE  
INSURANCE OF NEW YORK,  
INC.;

**ORIGINAL**

CONTINUED  
DEPOSITION UPON  
ORAL EXAMINATION  
OF  
ROBERT C. WALSH

PAGE 262

1 :  
2 :  
3 FIDELITY NATIONAL :  
4 TITLE INSURANCE CO. OF :  
5 NEW JERSEY; COASTAL :  
6 TITLE AGENCY; DONNA :  
7 PEPSNY; WEICHERT :  
8 REALTORS and VECCHIO :  
9 REALTY, INC. D/b/a :  
10 MURPHY REALTY BETTER :  
11 HOMES AND GARDENS, :  
12 Defendants. :  
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T R A N S C R I P T of the stenographic  
notes of HOWARD A. RAPPAPORT, a Notary Public and  
Certified Shorthand Reporter of the State of  
New Jersey, Certificate No. XI00416, taken at the  
offices of MC CARTER & ENGLISH, LLP, Four Gateway  
Center, Newark, New Jersey, on Friday,  
April 23, 2010, commencing at 8:35 a.m.

1 A P P E A R A N C E S:

2 STONE & MANGANINI  
150 John F. Kennedy Parkway  
3 Short Hills, New Jersey 07078  
BY: DAVID STONE, ESQ.,  
4 AMY WALKER WAGNER, ESQ.,  
For the Plaintiff

5 MC CARTER & ENGLISH, LLP  
6 Four Gateway Center  
100 Mulberry Street  
7 Newark, New Jersey 07102-0652  
BY: DAVID R. KOTT, ESQ.,  
8 For Defendant/Third-Party Plaintiff Commonwealth Land  
Title Insurance Company

9 FOX, ROTHSCHILD, O'BRIEN & FRANKEL  
10 997 Lenox Drive  
Lawrenceville, New Jersey 08648  
11 BY: EDWARD J. HAYES, ESQ.,  
For Defendants Nations Title Insurance and  
12 Fidelity National Title Insurance

13 METHFESSEL & WERBEL  
3 Ethel Road  
14 Suite 300  
Edison, New Jersey 08818  
15 BY: MARTIN R. MC GOWAN, ESQ.,  
For Coastal Title Agency

Walsh - cross

Page 277

1 correct?

2 A That is correct.

3 Q Did you implement the changes that  
4 Greenwich suggested?

5 A To my knowledge we did.

6 Q You indicated there were certain number  
7 of changes that were made and you got that from  
8 quality control.

9 A Correct.

10 Q It's probably me, but I'm not sure I  
11 understand exactly what you did from the last  
12 deposition to today.

13 You indicated you looked at a few  
14 quality control reports.

15 A There was also directives. There was  
16 quality control reports and there was directives.

17 Q So was one of the things you did between  
18 the last deposition and today, reviewed quality  
19 control directives?

20 A Correct.

21 Q Where were they located?

22 A Within the quality control reports.

23 Q Describe for me what a quality control  
24 report is.

25 A They state how many loans that they



Walsh - cross

Page 278

1 reviewed during that particular month. They  
2 determine what they found. If there was exceptions,  
3 what particular loans, what particular offices, what  
4 were the exceptions, minor or major exceptions.

5 They did review appraisals. There was a  
6 variance on the review appraisals and how much.

7 Q Do you recall when they were dated? The  
8 quality control review reports, do you recall when  
9 they were dated?

10 A I know somewhere in 1997. The exact  
11 date I don't recall.

12 Q Before or after the fraud?

13 A Before.

14 Q And you mentioned some directives. Were  
15 they within the control reports, or were they things  
16 that arose as a result of findings in the control  
17 reports?

18 A Both.

19 Q And where were the directives maintained  
20 at Walsh?

21 A They were in this file that I located,  
22 was in the quality control file.

23 Q But back at Walsh, when a directive was  
24 issued, where were they placed when they were issued?  
25 Was there a book of directives?

Walsh - cross

Page 293

1 the majority of review appraisals were drive-bys?

2 A Correct.

3 Q And how did you draw that conclusion?

4 A Reviewing the appraisals that were in  
5 the file, in quality control.

6 Q Well, were review appraisals placed in  
7 the loan files?

8 A No.

9 Q So they were in quality control?

10 A Correct.

11 Q How many quality control files did you  
12 look at?

13 A There was one file with various  
14 different reports within the file.

15 Q So you looked at one quality control  
16 file that had within it various reports?

17 A That is correct.

18 Q And what were those reports? I know  
19 they are quality control reports, but what was in the  
20 reports that you looked at?

21 A Spread sheets showing review appraisals,  
22 showing exceptions, showing how many loans that they  
23 actually reviewed, showing follow-ups to our  
24 securities, what our underwriters did, underwriters  
25 of the securities. How many appraisal reviews that

Walsh - cross

Page 323

1 commitment?

2 A Yes.

3 Q And it is that same person who would  
4 check everything would also be the person who would  
5 take out unnecessary copies?

6 A Correct.

7 Q In the years that you worked at Walsh,  
8 Mr. Walsh, did you ever see a mass -- I'll use the  
9 word "cleansing," and I don't mean it in a derogatory  
10 way, just this process that you're talking about, but  
11 a mass cleansing of the files in the conference room  
12 at Walsh as opposed to in cubicles?

13 A I believe I saw it many times.

14 Q And why did that take place?

15 A If an investor was coming in to look at  
16 files, and there were a lot of files, and that they  
17 were coming in in a relatively short period of time,  
18 the files would be on the table, and people would be  
19 taking the file and doing what they needed to do,  
20 putting documents in, taking documents out rather  
21 than just doing it at their cubicle.

22 Q So that was a common occurrence?

23 A It was.

24 Q And it was generally in relation to  
25 someone, an investor, coming in to look at files?

Walsh - cross

Page 324

1 A Yes.

2 Q Mr. Walsh, how was Walsh Securities'  
3 profitability determined? You testified at the last  
4 deposition that it wasn't about the number of loans.  
5 It was about profitability of Walsh, correct?

6 A Correct.

7 Q How was Walsh Securities' profitability  
8 determined?

9 A Under GAAP.

10 Q What does that mean?

11 A Generally accepted accounting  
12 principles.

13 Q What made Walsh profitable?

14 A Selling loans, acquiring loans,  
15 controlling expenses.

16 Q Were all nonperforming loans not  
17 profitable?

18 A Correct.

19 Q Were all performing loans profitable?

20 A Not necessarily.

21 Q Was Walsh Securities' profitability in  
22 any way affected by the jobs done by the  
23 broker/correspondents?

24 A Could you be more specific, please?

25 Q Let me ask you this first. I've been

Walsh - cross

Page 349

1 profitability, because you indicated at the prior  
2 deposition that what made you an attractive merger  
3 partner to RBMG was the profitability. So I'm trying  
4 to find the basis for that statement.

5 A Fine.

6 Q Tell me as best as you can how Walsh  
7 made money and what made it profitable.

8 A There was two categories. One was the  
9 whole loan sale, and that would be to people like The  
10 Money Store.

11 We had a weighted average price that we  
12 paid the participants of 100 and one, and we would be  
13 selling the loan to the Money Store at between 105  
14 and 106.

15 We sold Money Store approximately  
16 \$200 million. So that was roughly eight to  
17 \$10 million profitability on loans sold to Money  
18 Store.

19 Q And am I correct, Mr. Walsh, that the  
20 performance of the loan did not impact that  
21 profitability?

22 A Oh, sure it did.

23 Q How?

24 A If our performance was bad, The Money  
25 Store would have cut us off. We would not have been

Walsh - cross

Page 350

1 able to do business with them. There would have been  
2 no profitability associated with The Money Store.

3 Q So you are talking about if The Money  
4 Store basically decided they were getting enough junk  
5 from you, they would no longer buy?

6 A Not if they were getting enough junk.  
7 If they didn't like our performance, they would not  
8 continue to buy loans from us.

9 Q Understood.

10 As to loans that they were buying, you  
11 earned your money on the sale of the loan. The  
12 subsequent nonperformance of that loan did not affect  
13 the profit that you made on the sale of that loan as  
14 an individual loan?

15 A That's correct, but it had a  
16 consequential damage to us.

17 If we had substantially bad loans, they  
18 were not willing to buy additional loans, nor would  
19 they be willing to pay us the premium.

20 The premium translated into the  
21 relationship as well as the performance of those  
22 loans from prior sales.

23 Q Would the secondary market purchaser  
24 have had the same expectation that you talked about  
25 at the prior deposition, that approximately one and a

Walsh - cross

Page 351

1 half percent of the loans might be bad or fraudulent?

2 A Correct.

3 Q So they wouldn't necessarily conclude  
4 that you were acting improperly in one and a half  
5 percent of your loans came in and were a problem?

6 A That's correct.

7 Q So that's how you made money on the  
8 whole loan sales, correct?

9 A Correct.

10 Q You mentioned there was another aspect.

11 A Securities.

12 Q Tell me how that worked.

13 A The basis in our loans is still 101. We  
14 have the option of selling them as whole loans and  
15 getting cash consideration of between 105 and 106.

16 So for purposes of this demonstration,  
17 why don't we just use 105 to make it simple.

18 We have a universe of loans, and let's  
19 stick with \$100 million to make it again simple, if  
20 that's okay with you.

21 Q Sure.

22 A We have two choices: We can sell those  
23 loans and make \$4 million in cash, pass on the risk  
24 of the performance to somebody else. Or we can  
25 retain that risk and put our capital at risk on the

Walsh - cross

Page 352

1 performance of those loans.

2 If the loans do not perform, we are  
3 going to lose money, and we are going to lose a  
4 substantial amount of money.

5 If the loans perform accordingly the way  
6 we anticipate them to do, we'll make more money than  
7 selling as a whole loan.

8 The hundred million dollars worth of  
9 loans we sell into its trust. The trust then has an  
10 underwriter, and let's just use DLJ as an example, if  
11 you don't mind.

12 MR. KOTT: Did you say DLJ?

13 THE WITNESS: Yes.

14 A They did security 9711 and 972.

15 MR. STONE: Is that Donaldson, Lufkin --

16 THE WITNESS: And Jenrette.

17 MR. STONE: Okay.

18 A The \$1 million would be identified by  
19 Walsh as going into the security.

20 DLJ would sign an underwriting agreement  
21 with Walsh.

22 DLJ would come in and review that  
23 hundred million dollars to make sure it understood  
24 the characteristics because they were going to sell  
25 the bonds.



Walsh - cross

Page 353

1 They would do a complete underwrite on  
2 the hundred million dollars to make sure they met the  
3 quality of the characteristics of the rating agency.

4 They would do a 20 percent sampling on  
5 the appraisals.

6 They were then satisfied, they would  
7 then present it to Standard and Poor's or -- and  
8 let's just use Standard and Poor's for a second, it's  
9 easier to say.

10 S&P would put it through their model  
11 based upon the characteristic of the loan. They  
12 would then state what -- how many of the bonds would  
13 be sold for double A, which obviously is a more  
14 attractive rate for us to be selling the loans at.

15 They would break out the components to a  
16 single A and they would go down to a triple B, all  
17 investment grade quality.

18 A small slither of the bonds would  
19 become double B, and that would be the formation of  
20 the security.

21 Now, on the hundred million dollars  
22 worth of securities that are now being sold, the  
23 proceeds of all of this translates into 98 cents on  
24 the dollar that Walsh is going to receive.

25 So we had the option of making

Walsh - cross

Page 354

1 \$4 million in cash by selling to The Money Store on  
2 the low side, or taking 98 cents and having a  
3 negative \$3 million by doing a security.

4 There is a \$7 million swing between  
5 doing a whole loan sale and a security.

6 Q When you say 98 percent, you're saying  
7 on the face value of the loan?

8 A That is correct.

9 Now, our residual on this hundred  
10 million dollars on an economic basis, cash, has got  
11 \$7 million for cash associated into the security on  
12 \$100 million, or seven percent.

13 So we have to feel very, very  
14 comfortable about the performance of the security, or  
15 we are not going to do that. We are going to take  
16 the cash.

17 We now own something called the residual  
18 piece of the security as well as something called the  
19 an IO piece of the security.

20 Let's deal with the IO piece first  
21 that's a simpler piece to understand.

22 If the security holders are looking to  
23 receive a seven percent coupon, weighted average, to  
24 all the investors, and the average coupon on this  
25 portfolio is ten percent, there is 300 basis points

Walsh - cross

Page 355

1 annualized of availability of interest, excess  
2 interest on these particular loans.

3 The servicer who is going to service  
4 these loans in this particular case is Temple Inland.  
5 That's all they do for a living, is service loans,  
6 and they do it very efficiently. We have to pay them  
7 50 basis points to service those loans.

8 We now have Bankers Trust, which is the  
9 trustee. They are now going to charge us 20 basis  
10 points to be the master trustee.

11 Now we are down to 230 basis points of  
12 the interest only component. We get to keep that, so  
13 that's on our side of the equation, 230 basis points  
14 annualized of the loans in a portfolio.

15 Get back to your question before. What  
16 happens if there is a bad loan?

17 Well, the bad loan is we don't get that  
18 interest. That bad loan goes away. We don't get  
19 that interest. This is only on the IO right now. We  
20 don't get that. We only get paid on the IO if the  
21 interest and principal is paid by the borrower.

22 It is really a huge incentive for us to  
23 be putting loans into the security that we know are  
24 going to perform, or we feel very strongly are going  
25 to perform.

Walsh - cross

Page 356

1 Now we deal with the residual. The  
2 residual piece we own. The residual can be extremely  
3 valuable, and that's why people are into securities.

4 Now all the value of what's going to  
5 happen in the future lies with the residual. If any  
6 of the loans are in default and there are losses,  
7 unfortunately, the residual is the first piece that  
8 takes the loss.

9 So if you have a universe of  
10 \$100 million which is spread over a vast amount of  
11 loans -- and that's why you are diversifying your  
12 risk by going into different states, the losses that  
13 are taking place go first to the residual loans.

14 Any fraud that takes place goes to the  
15 residual holder. Any of the particular losses within  
16 the security is going to the residual holder.

17 Now let go back to the IO portion for a  
18 second. The IO portion is subordinated against all  
19 the securities of top. They are going to be the  
20 second to last to get compensated.

21 The IO does not get any cash until there  
22 is a five percent built-in or \$5 million cushion  
23 against the entire security.

24 We have already put in \$2 million, which  
25 was the 98 percent. We have \$2 million in something

Walsh - cross

Page 357

1 called the over collateralization account.

2 Now we have to build up \$3 million,  
3 which we are building up rapidly because of the IO  
4 portion.

5 So what we are able to do on this  
6 structure, which is GAAP, again, we are able to  
7 present value the future value stream of the income  
8 that we are going to be getting less an assumption of  
9 losses associated with our overall hundred million  
10 dollars and come up with a net present value and  
11 allowed to book that for accounting purposes.

12 On average, we were able to book about a  
13 107 price on our loans, again based on those  
14 calculations. So we are able to book a 107 price,  
15 and that's part of our profitability.

16 On this part of the transaction, for  
17 book purposes we were able to book \$6 million in gain  
18 on sale.

19 We have the gain on sale in cash and we  
20 have the gain on sale of securities.

21 Now we have to monitor on a quarterly  
22 basis the residual performance. Now, if the residual  
23 performance is doing well, we are able to take in a  
24 portion of that IO back into income, because we are  
25 building up to over collateralization account.

Walsh - Cross

Page 358

1 quickly.

2 If the performance is bad, we have to  
3 write down our residual because the loss assumption  
4 is wrong.

5 So that is how we make money. That is  
6 how on a quarterly basis profitability is reported,  
7 and we start the next day and do it all over again.

8 Q Do these securities tend to include not  
9 only Walsh loans, but loans from other companies? Or  
10 was each security limited to just your paper?

11 A No, we could have put in anything we  
12 wanted.

13 Q Did you generally put it in trusts or  
14 securities with other lenders?

15 A No.

16 Q And are you able to tell me, Mr. Walsh,  
17 in 1996, the percentage of loans that were whole loan  
18 sales versus placed in securities?

19 A In 1996, I believe it was about 15  
20 percent were securities and about 85 percent were  
21 whole loans.

22 Q And was that a similar percentage  
23 throughout the life of Walsh, or did it change one  
24 way or the other?

25 A It changed.

Walsh - cross

Page 361

1 Q We talked a little bit, Mr. Walsh, last  
2 time about what I called the flip program and you  
3 called the rehab program.

4 Do you recall that as a topic being  
5 discussed?

6 A I do.

7 Q Did you do any investigation at all  
8 since the last deposition to see whether or not Walsh  
9 called that the flip program?

10 A I believe we called it the rehab  
11 program.

12 Q Okay.

13 Do you recall at any time Walsh being  
14 advised that it was handling many flip loans that  
15 were high risk?

16 MR. STONE: Object to the form of the  
17 question.

18 You can answer.

19 A I don't recall now.

20 Q Do you recall at any time Walsh being  
21 told that the appraisals that it was using were not  
22 listing prior sales of the property?

23 A I do not recall right now.

24 Q Do you recall being told -- and again,  
25 this is all prior to the fraud being discovered --

Walsh - cross

Page 362

1 that appraisals were substantially overstating the  
2 value of property -- the value of the properties?

3 A Of which properties?

4 Q Of any properties.

5 A Oh, yes.

6 Q And who made that known to Walsh?

7 A Walsh Securities' quality control and  
8 Greenwich.

9 Q What did Walsh do in response to those  
10 warnings?

11 A Either we cut off an appraiser, we put  
12 some staff appraisers in, in Michigan, to review  
13 appraisals coming in, not to go out and do  
14 appraisals.

15 Q How about New Jersey, what did you do in  
16 New Jersey?

17 A I believe the same thing.

18 Q Do you recall being advised at some  
19 point in time that appraisals were substantially  
20 overstating the condition of the properties?

21 A I do not recall that.

22 Q Do you recall being advised that there  
23 was an unusual number of appraisals which were  
24 actually dated prior to the dates of the application  
25 for the loans?



Walsh - cross

Page 363

1 A I do not recall that.

2 Q Is that something that would be a red  
3 flag for you, Mr. Walsh, in your business?

4 A I don't know.

5 Q Do you recall being advised that  
6 appraisals that Walsh was using were not reflecting  
7 recent remodeling or rehabilitation of the  
8 properties?

9 A I don't recall.

10 Q Would you say, Mr. Walsh, that a flip or  
11 rehab program has an above average risk of loss for a  
12 lender such as Walsh?

13 A I believe it depends on the way it was  
14 structured.

15 Q Do you believe that risks, or that flips  
16 were more risky when they involved REO properties?

17 A If it was an arm's length transaction,  
18 the appraisal was correct, and if everything was  
19 correct, not necessarily.

20 Q I understand if all those things were in  
21 place.

22 I'm asking you in general, do you  
23 believe that flips involving REO properties are more  
24 risky than land flips involving other than REO  
25 properties?

Walsh - cross

Page 480

1 Q Who else did they interview?

2 A Arnold Cohen, Pete Treubor, Jim Walsh,  
3 Fred Schlesinger, Paul DelRosso, Bob Gulga, who was  
4 the accounting person. I'm not sure you heard his  
5 name before. G-u-l-g-a. Vicky Bernhardt, and there  
6 may have been another person.

7 Q In addition to your brother and your  
8 sister and Mr. D'Apolito and Mr. Cohen, is my  
9 recollection correct there were a group of other  
10 individuals to whom you intended to give stock if the  
11 merger went through?

12 A Correct.

13 Q Why were they not listed on the filing  
14 with the Securities and Exchange Commission?

15 MR. STONE: Objection, calls for a legal  
16 conclusion.

17 You can answer.

18 A I'm not sure.

19 Q You stand by your story that this  
20 particular document was a mistake because it  
21 reflected what you were going to do if the merger  
22 went through?

23 A Correct.. I never assigned -- I never  
24 signed over shares to anybody. This was my intent  
25 for the people to be able to acquire shares of RBMG

1 UNITED STATES DISTRICT COURT  
 2 DISTRICT OF NEW JERSEY  
 3 Civil Action No. 97-cv-3496 (DRD) (MAS)  
 4 WALSH SECURITIES, INC., :  
 5 Plaintiff, : DEPOSITION OF:  
 6 v. : ROBERT C. WALSH  
 7 (VOLUME III)  
 8 CRISTO PROPERTY MANAGEMENT, LTD., :  
 9 a/k/a G.J.L. LIMITED; DEK HOMES :  
 10 OF NEW JERSEY, INC.; OAKWOOD :  
 11 PROPERTIES, INC.; NATIONAL HOME :  
 12 FUNDING, INC.; CAPITAL ASSETS :  
 13 PROPERTY MANAGEMENT & INVESTMENT :  
 14 CO., INC.; CAPITAL ASSETS PROPERTY :  
 15 MANAGEMENT, L.L.C.; WILLIAM KANE; :  
 16 GARY GRIESER; ROBERT SKOWRENSKI, :  
 17 II; RICHARD CALANNI; RICHARD :  
 18 DiBENEDETTO; JAMES R. BROWN; :  
 19 THOMAS BRODO; ROLAND PIERSON; :  
 20 STANLEY YACKER, ESQ.; MICHAEL :  
 21 ALFIERI, ESQ.; RICHARD PEPSNY, :  
 22 ESQ.; ANTHONY M. CICALESSE, ESQ.; :  
 23 LAWRENCE CUZZI; ANTHONY D'APOLITO; :  
 24 DAP CONSULTING, INC.; COMMONWEALTH :  
 25 LAND TITLE INSURANCE CO.; NATIONS :  
 TITLE INSURANCE OF NEW YORK, INC.; :  
 FIDELITY NATIONAL TITLE INSURANCE :  
 CO. OF NEW JERSEY; COASTAL TITLE :  
 AGENCY; DONNA PEPSNY; WEICHERT :  
 REALTORS and VECCHIO REALTY, INC. :  
 d/b/a MURPHY REALTY BETTER HOMES :  
 AND GARDENS, :

Defendants.

Certified  
Transcript

X-----X

TRANSCRIPT of testimony as taken by and  
 before CHERYL McGANN, a Certified Court Reporter  
 of the State of New Jersey, at the offices of  
 McCARTER & ENGLISH, LLP, Four Gateway Center,  
 Newark, New Jersey, on Friday, September 30, 2011,  
 commencing at 9:14 a.m.

Job No. NJ356367

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Nations Title Insurance of New York, Inc. and

Fidelity National Title Insurance Co. of New Jersey

1 Fidelity or Nations?

2 A. I'm not sure what the answer would be, but  
3 let me tell you what I think it could be.

4 Q. Go ahead.

5 A. All right. I don't know if this was the  
6 first written response. It may have been; it may  
7 not have been, but based upon this, we'll assume for  
8 a second that it is. I know that there was several  
9 phone calls made fairly quickly in the process. I  
10 know that Fred Schlesinger made several calls, but I  
11 don't recall the dates.

12 Q. Okay.

13 A. I don't recall if it was in this time frame,  
14 before this time frame or after this time frame.

15 Q. Okay. Were the phone calls made by an  
16 employee of Walsh, as opposed to your outside  
17 lawyers at that time, the Latham firm?

18 A. It would have been our in-house counsel,  
19 Fred Schlesinger.

20 Q. Okay.

21 A. Want this back?

22 Q. Yes, please.

23 MR. KOTT: I'm going to ask the court  
24 reporter to mark for identification a three-page  
25 document which is an article that appeared in the

1 paper until September 29th to ask that question?

2 Q. Okay.

3 A. It's a rhetorical statement. I'm not asking  
4 you, as you're an attorney.

5 Q. Okay. Do you know whether there were other  
6 correspondence between the September 29 letter --  
7 well, what's the date of those articles again?

8 A. The first, I think you said July 10th maybe.

9 Q. Uh-huh.

10 MR. MAGNANINI: The second one was --

11 A. July 13th and July 10th.

12 MR. MAGNANINI: -- July 10th.

13 Q. But if I'm correct that the first claim was  
14 made July 28th, that would be the first time  
15 Commonwealth would be aware of the claims being  
16 made; right?

17 A. I guess. It's a full 60 days after the fact  
18 that that came out. It's a full 65, 70 days since  
19 the articles.

20 Q. Okay. Well, actually, as to when it's  
21 received, it's marked received in the Commonwealth  
22 Claims Department on August 12, 1997; correct?

23 A. We don't know. I personally can't tell you  
24 what that means.

25 Q. All right. After Walsh Securities received

1 processing?

2 A. It would be speculation, but I can understand  
3 the logic.

4 Q. Okay. Mr. Skowrenski testified that there  
5 were occasions when the assignments didn't come in  
6 with the loan package but at some point that he  
7 might get a large number of assignments to execute.

8 Do you have any reason to disbelieve that  
9 testimony?

10 A. I do. Based on the files that we looked at,  
11 there was assignments in all the files; and they  
12 were dated as of that particular date.

13 Q. When Walsh sold the loan -- a whole loan  
14 sale, would it provide the NHF-to-Walsh assignment  
15 to the whole loan buyer?

16 A. Yes, and then Walsh to the whole loan buyer.

17 Q. So a whole loan buyer would get two  
18 assignments; one from NHF to Walsh, one from Walsh  
19 to, for example, Cityscape?

20 A. Yes.

21 Q. And Walsh would expect the whole loan buyer  
22 to record those assignments evidencing its ownership  
23 of the loan, correct?

24 A. Correct.

25 Q. Okay. When you bought back loans after the

1 Q. Anything is possible. I'm just asking if you  
2 can name anyone.

3 A. No, I cannot.

4 Q. Remember you had testified about the review  
5 appraisals not being in the files?

6 A. Yes.

7 Q. Is there any way that somebody reviewing  
8 these files, be it an underwriter or a purchaser,  
9 would have knowledge of the review appraisal?

10 A. If the review appraisal was over the 250,000,  
11 I think what I had mentioned last time was that  
12 there was two. There was a preclosing, and that  
13 would be for over \$250,000 a review was done. That  
14 would be in the file. Anything that was quality  
15 control would not be in the file.

16 Q. Did you ever testify before the Grand Jury?

17 A. You're running out of questions to ask.

18 Q. I know, I asked you that.

19 MR. MAGNANINI: Objection, asked and  
20 answered.

21 A. Right.

22 Q. You know the lulling letters that form the  
23 basis for the indictment of Betty Ann Demola?

24 A. I do.

25 Q. Did you actually physically sign those



1 letters?

2 A. I did.

3 Q. At the time Carteret failed, were there  
4 articles in the newspaper that Carteret failed in  
5 part because of bad residential mortgages?

6 A. No.

7 Q. Are you as sure of that as you are of your  
8 other answers to the questions?

9 A. To the best of my knowledge, Carteret failed  
10 for two reasons. One was goodwill was eliminated  
11 from Carteret's balance sheet. When FIREA came in  
12 in 1988, Carteret had \$300 million worth of goodwill  
13 on their books. One day FIREA comes in, and their  
14 \$300 million worth of capital is wiped out. The  
15 second reason they went under was bad multi-family  
16 loans and commercial loans and construction loans  
17 which were not single family in nature. Commercial  
18 loans were on commercial properties, including golf  
19 courses; and the other loans or construction loans  
20 were not on single-family residential loans.

21 Q. You're aware that Betty Ann Demola gave a  
22 deposition in this case?

23 A. Yes.

24 Q. You're aware that Walsh Securities, the law  
25 firm of Stone & Magnanini represented her in

# Exhibit J

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
CIVIL ACTION NO. 97-3407 (DRD)

WALSH SECURITIES, INC.,

Plaintiff,

v.

CRISTO PROPERTY MANAGEMENT,  
LTD., et al.,

Defendants.

DEPOSITION UPON  
ORAL EXAMINATION  
OF  
ROBERT WALTER  
SKOWRENSKI, II

COPY

TRANSCRIPT of the  
stenographic notes of STANLEY B. RIZMAN, a Notary  
Public and Certified Shorthand Reporter of the State  
of New Jersey, Certificate No. XI00304, taken at the  
offices of Manning, Caliendo & Thomson, PA, 36 West  
Main Street, Freehold, New Jersey, on Tuesday, May  
25, 2010, commencing at 10:12 a.m.

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Pro se.

Skowrenski - direct

Page 10

1 Q Were some articles also in the Star  
2 Ledger?

3 A Yes.

4 Q And various people were quoted in the  
5 articles, is that correct?

6 A Correct.

7 Q I'm calling your attention to  
8 Skowrenski-1. I'm going to put it in front of you,  
9 but I'm also going to read it into the record.

10 Do you see where I'm pointing? It  
11 states there, quote, paragraph: "In most cases, the  
12 loans were brokers by National Home Funding in  
13 Freehold. Period. Paragraoh.

14 "Michael Schottland, a lawyer who  
15 represents Robert Skowrenski, president of National  
16 Home Funding, does not believe the president of  
17 Walsh Securities is a victim." Period. Paragraph.

18 Quote within quotes. "Walsh is behind  
19 the whole thing, said Schottland." Quote within a  
20 quote. "He's now trying to distance himself from  
21 this because it looks so unpleasant, so unseemly."  
22 Period. Close quote within quote. Close quote.

23 Have I read that correctly?

24 A Yes.

25 Q This article states that Mr. Schottland

Skowrenski - direct

Page 38

1 the most money or who generated the most business?

2 Q I'm asking you, as you sit here today,  
3 whether there is any name you can give me of anybody  
4 who generated more business than Mr. Kane?

5 A I can't give you the name of any more  
6 or any less. Any person that did any more or any  
7 less. I don't know the numbers sitting here today.

8 Q Would you agree that Mr. Kane was a big  
9 producer for National Home Funding?

10 A Yes.

11 Q Some of the witnesses in this case in  
12 depositions talked about cash payments being made at  
13 your company to various people. Did your company  
14 ever make cash payments to anyone?

15 A Never.

16 Q Never?

17 A Never.

18 Q So if anyone testified to that, they'd  
19 be mistaken?

20 A You're talking about the convicted  
21 felons that you deposed?

22 MR. MANNING: No. He said "anyone."

23 You have to listen to the question.

24 A I'm sorry. Yes. Anyone. Anyone would  
25 be lying. Yes.

Skowrenski - direct

Page 123

1 effective, NHF was the owner of that loan and all of  
2 the security documents?

3 A Correct.

4 Q And if Walsh had not gotten the allonge  
5 ahead of time, would they follow up with you or do  
6 you believe they had it in every instance?

7 A I know they didn't because for years I  
8 was getting allonges and assignments. In my mind I  
9 signed allonges and assignments on every file  
10 because it didn't make sense that I wouldn't.

11 Q But do you recall requesting on some of  
12 the fraud loans after the fact to sign allonges?

13 A Absolutely.

14 Q You would have expected someone at  
15 Walsh to ensure that the allonge was in place before  
16 the loan funded, correct?

17 A Common sense, yes.

18 Q And you would have expected someone at  
19 Walsh to have a written appraisal in place before  
20 they would fund, correct?

21 A Correct.

22 Q And you would expect someone at Walsh  
23 to have a completed a HUD-1 in its possession before  
24 funding a loan, correct?

25 A Correct.

# Exhibit K



IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
CIVIL NO. 97-3496

-----  
WALSH SECURITIES,  
INC.,

Plaintiff,

v.

CRISTO PROPERTY  
MANAGEMENT,  
LTD., et al.,

Defendants.

and

COMMONWEALTH LAND  
TITLE INSURANCE  
COMPANY,

Defendant/  
Third-Party  
Plaintiff,

v.

ROBERT WALSH and  
ELIZABETH ANN DE MOLA,

Third-Party  
Defendants.  
-----

ORIGINAL

DEPOSITION UPON  
ORAL EXAMINATION  
OF  
KELLIE O'NEILL

1 T R A N S C R I P T of the stenographic  
2 notes of HOWARD A. RAPPAPORT, a Notary Public and  
3 Certified Shorthand Reporter of the State of  
4 New Jersey, Certificate No. XI00416, taken at the  
5 offices of MC CARTER & ENGLISH, LLP, Four Gateway  
6 Center, Newark, New Jersey, on Wednesday,  
7 December 20, 2006, commencing at 9:45 a.m.

8  
9 A P P E A R A N C E S:

10 BOIES, SCHILLER & FLEXNER, LLP  
11 150 John F. Kennedy Parkway  
12 Short Hills, New Jersey 07078  
BY: ROBERT A. MAGNANINI, ESQ.,  
For the Plaintiff

13 MC CARTER & ENGLISH, LLP  
14 Four Gateway Center  
15 100 Mulberry Street  
Newark, New Jersey 07102-0652  
BY: DAVID R. KOTT, ESQ.,  
16 For Defendant/Third-Party Plaintiff Commonwealth Land  
Title Insurance Company

17 FOX, ROTHSCHILD, O'BRIEN & FRANKEL  
18 2000 Market Street  
Philadelphia, Pennsylvania 19103  
19 BY: EDWARD J. HAYES, ESQ.,  
For Defendants Nations Title Insurance and  
20 Fidelity National Title Insurance

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23 BY: BENJAMIN R. MESSING, ESQ.,  
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24  
25



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O'Neill - direct

36

1 They would sit down, "they" being Betty  
2 Ann, Paul DelRosso and would sit and figure out how  
3 many loans were coming up, the time frame they needed  
4 to get them in, get them out, get them to closing.

5 That was the initial -- can you be a  
6 little bit more specific?

7 Q Were there any other meetings on other  
8 subjects between Betty Ann DeMola and Mr. Kane?

9 A Yes, there were.

10 Q Tell me about those.

11 A One in particular that I do remember. I  
12 don't remember what she did. Her name was Ronnie  
13 Gonzales. She worked for Walsh Securities.

14 There was a man by the name of Darryl --  
15 I don't remember who he worked for -- and then there  
16 was Greenwich --

17 Q Greenwich Capital?

18 A Greenwich Capital, they were coming down  
19 to inspect some of Billy Kane's homes.

20 This one particular incident, one of the  
21 homes was a shell, and Betty Ann called me down. The  
22 office -- if this conference room was the office, I  
23 would be up by that gentleman up there, Betty Ann  
24 would be where you are, ask for me to get down, she  
25 said, get on the phone with Bill Kane immediately and

O'Neill - direct

40

1 Q Do you know whether Betty Ann DeMola was  
2 aware before the fraud became public of any improper  
3 actions of the appraisers?

4 A In my opinion, yes, because I remember  
5 Rich DiBenedetto coming up to the office, and I  
6 remember a memo that went out specifically telling --  
7 I don't remember who specifically they were telling,  
8 but they were saying how the appraisals had to be  
9 done, what the house was initially worth, all the  
10 repairs that had to be done to the home.

11 I know Mr. DiBenedetto had come up once  
12 and spoken with Ms. DeMola.

13 Q Was that before the fraud hit the  
14 papers?

15 A I don't remember.

16 Q Do you remember what the conversation  
17 was? Or do you know what the conversation was  
18 between Ms. DeMola and Mr. DiBenedetto?

19 A As of today, no, I don't recall.

20 Q Do you know whether anybody at Walsh  
21 Securities ever encouraged any appraiser to wilfully  
22 over appraise a house?

23 A I don't know.

24 MR. MAGNANINI: Objection to form.

25 Q Let me show you what I marked as exhibit



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O'Neill - direct

42

1 forth the questions that you were asked and the  
2 answers you gave?

3 A Yes.

4 Q And if you would turn to page 29, line  
5 17, where you indicate in response to one of Judge  
6 Wolin's questions, that Betty Ann DeMola on various  
7 occasions directed that mortgage loans that you  
8 processed be approved and funded without Walsh  
9 Securities having received a written appraisal  
10 report.

11 Can you tell me more about that?

12 A I remember some of them didn't have the  
13 actual appraisal in hand, the actual certified copy.  
14 Some of them had a fax copy of the appraisal, but not  
15 the original.

16 I do remember that some of them did not  
17 have the appraisal at all.

18 Q At that time was an appraisal required  
19 under the terms of the of the commitment?

20 MR. MAGNANINI: Objection.

21 A Yes.

22 Q Was it required under the criteria of  
23 Walsh Securities?

24 A Yes, it was.

25 Q Did Ms. DeMola tell you why she was

O'Neill - direct

47

1 Q And Mr. DelRosso was an officer in Walsh  
2 Securities?

3 MR. MAGNANINI: Objection.

4 A I don't know.

5 Q Was Mr. DelRosso the underwriting  
6 manager?

7 A Yes.

8 Q How do you know that Mr. DelRosso did  
9 that, that is, that he approved mortgage loan  
10 applications even though the loan application  
11 documents were false or fake looking?

12 A I don't know if they were always in  
13 regards to Bill Kane and/or Cristo Mortgage Funding.  
14 I do remember other loans coming through also in this  
15 case, also that they -- the W-2s and pay stubs just  
16 did not look correct. They didn't look right.

17 Q Would you have any knowledge why  
18 Mr. DelRosso would approve mortgage loan applications  
19 even though some of the loan application documents  
20 were false or fake looking?

21 A No -- I'm sorry, repeat that again.

22 Q Do you know why Mr. DelRosso would  
23 approve mortgage loan applications even though the  
24 loan application documents included items that were  
25 false or fake looking?

O'Neill - direct

48

1           A           I know that he took in question some of  
2   the pay stubs and W-2s that did not look correct.

3                    I know that at times, not all the time,  
4   but sometimes Betty Ann DeMola had told him to go  
5   ahead with the mortgage anyway.

6           Q           Do you know why Ms. DeMola told him to  
7   go ahead with the mortgage anyway?

8           A           I don't know why at the time she did.

9           Q           Then calling your attention to page 30,  
10   lines 4 through 8, did you in 1996, at the request of  
11   a person buying and selling real properties, prepare  
12   fictitious leases in connection with mortgage loan  
13   applications submitted to and later approved by Walsh  
14   Securities?

15          A           Yes.

16          Q           Who was the person who requested that?

17          A           Bill Kane.

18          Q           Do you know why Mr. Kane requested that?

19          A           At the time what he told me was that he  
20   didn't have the actual leases in his hands from the  
21   people, and to put their names on the lease and they  
22   submitted it and once he got the incorrect ones, he  
23   would put the correct ones in the file.

24          Q           Have you since then found out that was  
25   not correct?

O'Neill - direct

50

1 that.

2 Can you clarify that?

3 A I'm sorry, can you repeat the question?

4 Q Yeah, let me ask you a question.

5 Do you know whether Robert Walsh was  
6 aware that at the request of Mr. Kane, you had  
7 prepared fictitious leases in connection with  
8 mortgage loan applications submitted to and later  
9 approved by Walsh Securities?

10 A I don't think he knew I did that.

11 Q How about Betty Ann DeMola, did she know  
12 you did that?

13 A I don't think she knew I did that.

14 Q How about Mr. DelRosso, did he know?

15 A I also don't think that he knew that I  
16 did that.

17 Q And then calling your attention to page  
18 30, lines 14 through 18, did you prepare escrow  
19 letters falsely representing that the attorney named  
20 in the letter was holding specific funds in escrow on  
21 behalf of the buyer?

22 A It was one escrow letter.

23 Q Okay.

24 A Yes.

25 Q Why did you do that?



O'Neill - direct

51

1 A Because Mr. Kane told me he couldn't  
2 ahold of Stanley Yacker, that he did have the  
3 money --

4 Q That Mr. Yacker had the money?

5 A Yes. And that he just needed the escrow  
6 letter to be put into the file.

7 Q Was Robert Walsh aware of that?

8 A I don't believe he was.

9 Q How about Betty Ann DeMola?

10 A I don't believe she was, she knew that I  
11 did that.

12 Q You don't think Betty Ann DeMola knew  
13 that you did that. Is that what you're saying?

14 A Yes, I don't think she knew that I did  
15 that.

16 Q Okay, I want to be clear.

17 I would like it ambiguous, but  
18 Mr. Magnanini would have cleaned it up anyway.

19 MR. MAGNANINI: I would have come back  
20 to that.

21 Q Calling your attention to page 30, line  
22 19 through 25, I had previously asked you to only  
23 read through page 30, is that correct?

24 A 31.

25 Q Calling your attention to page 30, lines

O'Neill - direct

52

1 19 through 25, and 31, line 1, there you indicate, in  
2 response to a question of Judge Wolin, that you were  
3 asked by Betty Ann DeMola to participate with other  
4 Walsh employees in combing through closed files which  
5 were shortly to be reviewed by representatives of  
6 Greenwich Capital, which funded loans for Walsh  
7 Securities, in order to alter some of the documents  
8 then in those files or to place documents such as  
9 written appraisals in those files.

10 Did you in fact do that?

11 A Yes, I did.

12 Q About when did Betty Ann DeMola ask you  
13 to do that?

14 A I don't recall the date.

15 Q Why were Greenwich Capital  
16 representatives reviewing files?

17 A I don't remember at the time. I know  
18 that she had just called a big meeting for a bunch of  
19 us to go into the conference room. They gave us a  
20 list of stuff that had to be in the files, that had  
21 to be taken out of the files, and we were to go  
22 through batches of loans and put exactly what they  
23 had on these -- had written out for us, what had to  
24 be in the loan and what shouldn't be in the loan.

25 Q Did Betty Ann DeMola tell you why she



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O'Neill - direct

53

1 was asking you to do that?

2 A I don't recall.

3 Q This refers to altering some of the  
4 documents in the files. What documents were altered?

5 A I saw that there. I don't know what was  
6 altered. I don't remember what was altered.

7 I know that I personally put written  
8 appraisals that were in the files in the files, the  
9 actual hard copy.

10 I note that I put in and took out what  
11 was on the paper, but I don't recall what was  
12 altered.

13 Q Why weren't the written appraisals  
14 already in the files?

15 A I don't know. They should have been.  
16 They should have been there at closing.

17 Q Were some things also taken out of the  
18 files?

19 A Yes, they were.

20 Q Do you know the reason why they were  
21 taken out?

22 A I don't. I was just doing what they  
23 told me to do.

24 Q When she asked you to do that, did you  
25 have any feeling that there was something unkosher

O'Neill - direct

54

1 going on?

2 A Honestly, I wasn't paying much  
3 attention. I just did what they told me to do.

4 Q I understand that.

5 But in your thought process, did you  
6 think to yourself, gee, I wonder what's going on  
7 here, why we are putting documents in the files and  
8 altering documents?

9 A They just told us that they wanted the  
10 files to be cleaned up, presented nicely to them.

11 Q Well, did Greenwich Capital come in on  
12 earlier occasions before the occasion that you are  
13 talking about to look at loan files?

14 A As I stated before, they were coming  
15 down to take a look at a couple of Bill Kane's  
16 properties. I don't remember -- I think they were in  
17 the office prior to, but I don't know how many times.

18 Q Was the reference in this testimony you  
19 gave on page 30 and 31 to representatives of  
20 Greenwich Capital reviewing files, is that the same  
21 time they were coming down to look at Mr. Kane's  
22 properties?

23 A I don't know the time line. I know it  
24 was very crazy in there at the time of when -- what I  
25 spoke about with Betty Ann DeMola telling me to get

O'Neill - direct

55

1 Bill Kane on the phone and get them down to his  
2 houses.

3 I kind of remember this being towards  
4 the end of when they had us cleaning up the files.

5 Q Did you get Mr. Kane on the phone and  
6 tell them to clean up the houses?

7 A I believe I did. I believe I also  
8 contacted Robbie Skowrinski.

9 Q What did you tell Mr. Skowrinski?

10 A I don't think I could get ahold of Kane  
11 first, if he could get ahold of him. I know I had to  
12 get ahold of Anthony, I called Robbie, you know, got  
13 to him on the phone as soon as possible.

14 I believe we had pagers at the time.

15 Q Did you tell Mr. Skowrinski why you  
16 needed to talk to Mr. Kane, that is, you needed to  
17 get in touch with him about getting the houses  
18 cleaned up?

19 A Yes.

20 Q Did Mr. Skowrinski seemed surprised to  
21 you by that or not, surprised that certain of the  
22 houses were shells?

23 A I don't believe so.

24 Q You didn't get the impression -- did you  
25 get the impression he was surprised when you told him

O'Neill - direct

56

1 that certain of the houses were shells?

2 A I don't believe so.

3 Q On page 30 you indicate -- let me back  
4 up.

5 Was anything taken out of the files that  
6 Greenwich was going to look at?

7 A Yes.

8 Q I think you said that earlier.

9 Can you give me some examples of what  
10 was taken out?

11 A Honestly, I don't remember specifically  
12 what was taken out.

13 Q The document --

14 A That's not true. Notes from -- from the  
15 underwriters were taken out.

16 I'm sorry, yes, I do remember. Under  
17 any commitment letters that had gone out with Betty  
18 Ann DeMola's signature on them, her signing waiving  
19 off conditions were taken out.

20 Q Do you have any knowledge as to why  
21 those items would have been taken out?

22 A They did not want her signature on  
23 those -- on signing off of conditions.

24 Q Do you know why?

25 A I know why now. I didn't know why at

O'Neill - direct

57

1 the time.

2 Q Tell me why now.

3 A They didn't want any -- they didn't want  
4 her waiving any conditions at all because they didn't  
5 want anything coming back to her.

6 Q What do you mean by that?

7 A Because she wasn't supposed to be  
8 signing off the conditions. It wasn't her job to do  
9 that.

10 Q That was for the underwriter?

11 A Yes.

12 Q Do you know why she was signing off  
13 conditions?

14 A To get them into closing.

15 Q Do you know why she wanted to get them  
16 into closing?

17 A As I stated before, I knew there was a  
18 meeting.

19 Q Do you know whether Robert Walsh was  
20 aware that Betty Ann DeMola was waiving conditions?

21 A It's my opinion that he did know.

22 Q What do you base that opinion on?

23 A Because he was in the room when we were  
24 cleaning up the files in the conference room. He had  
25 come in, walked in, walked out, walked in, walked



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O'Neill - direct

58

1 out, stayed a little bit, came in, walked back out.

2 Q Do you know what his reason was for  
3 coming into the room while you were cleaning the  
4 files?

5 A A couple times I thought it was just to  
6 see how it was going.

7 Q Did he say anything?

8 A He may have. I don't recall.

9 Q Who else was involved in this taking  
10 documents out of the files, putting documents in the  
11 file and altering documents?

12 A There was many people. I don't remember  
13 their names.

14 The only one I really -- I remember Paul  
15 DelRosso was in there, Betty Ann DeMola was in there  
16 constantly.

17 The closing manager -- I don't remember  
18 what her name was -- was in there. Some of the  
19 underwriters were in there, I believe, at times.

20 Q Was James Walsh -- withdrawn.

21 Page 31 you indicate that James Walsh  
22 was a vice president of Walsh Securities, is that  
23 correct?

24 A That's what I said, yes.

25 Q Was James Walsh present during the file



O'Neill - direct

59

1 cleaning process that you described on page 30 or 31?

2 A Yes, he was.

3 Q Did he say anything?

4 A I don't recall.

5 Q With respect to page 31, lines 11  
6 through 15, where it indicates that you accepted  
7 payments from various mortgage originators on a per  
8 loan basis for numerous mortgage loans that you  
9 processed at Walsh Securities, who gave you those  
10 payments?

11 A Bill Kane.

12 Q Would that have been while Mr. Kane was  
13 employed by National Home Funding and Robert  
14 Skowrinski?

15 A They were at various times.

16 Q Including --

17 A Yes --

18 Q Let me finish.

19 Would it have included while he was  
20 employed by National Home Funding and Mr. Skowrinski?

21 A I don't know if he was employed --

22 Q Let me try it again.

23 Would you have received payments from  
24 Mr. Kane for mortgage loans that you processed at  
25 Walsh Securities while Mr. Kane was associated with

O'Neill - direct

63

1 wanting to get deals closed.

2 Do you know whether that had anything to  
3 do with the sale of Walsh Securities to the company  
4 in South Carolina?

5 A I don't.

6 Q Had you read the articles in the Asbury  
7 Park Press about what I'll call the frauds that  
8 occurred here?

9 A Yes.

10 Q Do you have a general understanding of  
11 what the fraudulent scheme was?

12 A I'm still very confused about it.

13 Q I'm going to ask you a broad question.

14 Do you have any information, other than  
15 what you already told me in the deposition, I don't  
16 want you to repeat what you already told me, but do  
17 you have any information as to whether Robert Walsh  
18 was aware of the frauds before they became public?  
19 This is a broad question.

20 A Being a broad question, in my opinion, I  
21 believe that he knew some of the things that were  
22 going on, because the conversations that he was  
23 having with Bill Kane and Robert Skowrinski.

24 MR. KOTT: Would you read that answer  
25 back, please?

O'Neill - direct

64

(Record read.)

Q And what are the things that you believe Robert Walsh knew was going on?

A In my opinion -- I'm sorry, I have to think about the way I got to say this.

I think because of the close relationship that he had with his sister and his brother Jim Walsh, and the meetings that Betty Ann DeMola had with Gary Grieser, Bill Kane, Anthony D'Apolito, Robert Skowrinski, and them telling them specifically how to do the loans, the appraisals, having the appraisers come up to the office, Mr. DiBenedetto being one of them, that they knew something was not right with some of these loans.

The fact that Paul DelRosso questioned a couple of times the pay stubs, the W-2s.

Q Okay.

A The fact that Betty Ann requested that I contact Bill Kane and tell him to get, you know, curtains, lamps, make the houses that were shells look like someone was living in the homes.

In my opinion she told her brother, but that's my opinion.

Q Was she -- withdrawn.

Is Betty Ann DeMola a full-time employee

O'Neill - direct

69

1 Q Are you aware of Betty Ann DeMola ever  
2 pressuring appraisers to make incorrect appraisals?

3 MR. MAGNANINI: Objection to form.

4 A I wasn't in the meetings.

5 Q I understand that, but maybe you heard  
6 it from somewhere else. Have you ever heard that?

7 A I honestly don't recall.

8 Q Okay.

9 Do you have any information from any  
10 source as to whether James Walsh was aware of any of  
11 the frauds involving Walsh Securities?

12 A All I know is that Jim Walsh was in the  
13 rooms when we were taking apart those loans.

14 Q Any other information beyond that?

15 A In my opinion, I believe he knew what  
16 was going on. Like I said, Betty Ann DeMola, Jim and  
17 Bob were all very close knit family and it was a  
18 family run business.

19 So in my opinion, I assume he would know  
20 anything that Betty Ann DeMola knew.

21 Q So if Robert Walsh were to say that  
22 any -- that he was unaware of any improper acts that  
23 Betty Ann DeMola did, you would be suspicious of  
24 that?

25 MR. MAGNANINI: Objection.

O'Neill - cross

70

1 A Can you repeat that?

2 MR. KOTT: Mr. Rappaport will read it  
3 back to you.

4 (Record read.)

5 A I personally would be suspicious of  
6 that.

7 Q And why would you be suspicious of that?

8 A Because it's my opinion that he did know  
9 some things that were going on.

10 MR. KOTT: I don't have any further  
11 questions for you, but under the court rules the  
12 other attorneys are now allowed to.

13 CROSS-EXAMINATION BY MR. HAYES:

14 Q Good morning, Ms. O'Neill. I'll be very  
15 brief. My name is Ed Hayes.

16 A Hi.

17 Q You responded to a question by Mr. Kott  
18 that you believed Walsh was a family run business.

19 Who did you believe owned Walsh?

20 A Robert Walsh.

21 Q Did you believe at any time James Walsh  
22 had an ownership interest in the business?

23 A I thought that they had some type of  
24 interest in the company. I don't know if they  
25 actually did, but I thought. That was my

O'Neill - cross

71

1 understanding.

2 Q Did you also believe that Betty Ann  
3 DeMola had some interest in the company?

4 A I thought she did.

5 Q What was that based upon?

6 A I just thought they did.

7 Q They did.

8 Do you recall any conversations with  
9 Ms. DeMola in which she indicated that she had some  
10 ownership interest in the business?

11 A No.

12 Q What I'll call the culling of the files  
13 meeting that took place --

14 A I'm sorry, the what?

15 Q The culling of the files, the cleansing  
16 of the files that took place in the conference room,  
17 was that something that you had advance knowledge was  
18 going to take place? Or was it something that you  
19 came in one day and everyone was pulled into the  
20 conference room and you were told to do it?

21 A Yes, I was pulled in one day.

22 Q Were you aware, prior to being pulled in  
23 at that time, that Greenwich was coming to make a  
24 review of the files?

25 A I found out later while we were -- while

O'Neill - cross

72

1 we were cleansing the files.

2 Q Tell me if I'm mischaracterizing how  
3 this came about.

4 You come into work one day. Everyone is  
5 brought into the conference room, and you are  
6 instructed to do certain things with respect to the  
7 files?

8 A No, we weren't brought in -- not all of  
9 us were brought into the conference room.

10 Q Where did the cleansing take place?

11 A In the conference room.

12 Q How did the meeting begin at which you  
13 were advised what to do with the files?

14 A They told me to come to the room. I  
15 went in, and they said, here's a list of how we want  
16 the loans to look, what we want in them, what we  
17 don't want in them. Start going through them and do  
18 what they have on the paper.

19 Q How many other people participated in  
20 that meeting?

21 A There were a bunch of people. I can't  
22 tell you number-wise how many people were in there.

23 Q Were they just loan processors who were  
24 doing that?

25 A No.

O'Neill - cross

73

1 Q Were there people that were there from  
2 underwriting?

3 A I believe some underwriting were in  
4 there, closures were in there. I cannot remember  
5 everybody that was in there.

6 Q But you know that Ms. DeMola was there?

7 A She was there.

8 Q Was she running the meeting?

9 MR. MAGNANINI: Objection to the form.

10 Q Was she dictating what was to be done to  
11 the files?

12 A She said just to make sure that we  
13 followed what was on the paperwork that they gave us.

14 Q And you did get some piece of paper that  
15 said this is what is to be in it and this is what you  
16 should remove?

17 A Right.

18 Q Was everyone given a copy of that paper?

19 A I think so. It was put in between  
20 everybody.

21 Q Was that a paper that you had ever seen  
22 before, Ms. O'Neill?

23 A No.

24 Q So this was not a checklist that was  
25 normally used in determining what documents should be



O'Neill - cross

74

1 in or out of a file?

2 MR. MAGNANINI: Objection to the form.

3 A I had never seen it before.

4 Q You indicated that one of the things  
5 that you specifically recall removing from the files  
6 were any underwriting approvals which had  
7 Ms. DeMola's signature on it, correct?

8 A Correct.

9 Q While you don't remember any other  
10 documents that you removed, do you recall any other  
11 items that were on the list to be removed?

12 A No, I do not.

13 Q Did Ms. DeMola or anyone else instruct  
14 you at that meeting why things with her signature on  
15 them were being removed?

16 A It was just my impression that they did  
17 not want her signature on --

18 Q I understand what your impression was.  
19 At the meeting were you told why that  
20 was being removed?

21 A I don't think so.

22 Q Were you given any specific instruction  
23 as to why things were being added or removed as  
24 opposed to this is just the way we want the files to  
25 look?

# Exhibit L

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY  
CIVIL NO. 97-3496

-----  
WALSH SECURITIES,  
INC.,

Plaintiff,

v.

CRISTO PROPERTY  
MANAGEMENT,  
LTD., et al.,

Defendants.

and

COMMONWEALTH LAND  
TITLE INSURANCE  
COMPANY,

Defendant/  
Third-Party  
Plaintiff,

v.

ROBERT WALSH and  
ELIZABETH ANN DE MOLA,

Third-Party  
Defendants.  
-----

ORIGINAL

DEPOSITION UPON  
ORAL EXAMINATION  
OF  
RICHARD  
DI BENEDETTO

1 T R A N S C R I P T of the stenographic  
2 notes of HOWARD A. RAPPAPORT, a Notary Public and  
3 Certified Shorthand Reporter of the State of  
4 New Jersey, Certificate No. XI00416, taken at the  
5 offices of MC CARTER & ENGLISH, LLP, Four Gateway  
6 Center, Newark, New Jersey, on Wednesday,  
7 January 3, 2007, commencing at 9:40 a.m.

8 A P P E A R A N C E S:

9  
10 BOIES, SCHILLER & FLEXNER, LLP  
11 150 John F. Kennedy Parkway  
12 Short Hills, New Jersey 07078  
BY: ROBERT A. MAGNANINI, ESQ.,  
For the Plaintiff

13 MC CARTER & ENGLISH, LLP  
14 Four Gateway Center  
15 100 Mulberry Street  
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16 For Defendant/Third-Party Plaintiff Commonwealth Land  
Title Insurance Company

17 FOX, ROTHSCHILD, O'BRIEN & FRANKEL  
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23 BY: SCOTT V. HECK, ESQ.,  
For the Defendants  
24  
25

DiBenedetto - direct

38

1 told me. Then I got questioned by the United States  
2 Attorney about the same meeting, and I guess they  
3 asked him and he told them, as I recall.

4 Again, we are going back to their  
5 investigation which was years and years ago.

6 I remember Applegate saying that, you  
7 know, he came to the office, but he wasn't the only  
8 one. He was one of many, you know. The sales, this  
9 was their thing. This was their -- you know, you  
10 guys win cases, you have a reputation for doing  
11 something. If you want to push aside Citibank, if  
12 you want to push aside some of these big players,  
13 that's how they were going to do it. They had a  
14 choice, they could do it slowly and gradually, maybe  
15 get market share with somebody big, but obviously  
16 that wasn't how they did it.

17 Q In response to one of the questions you  
18 referred to, I think, the sale of the company for 300  
19 million or 350 --

20 A That was a figure I just got from the  
21 last settlement negotiation.

22 Q Who was the purchaser, do you know?

23 A That was Resource Bank Shares.

24 Q Okay.

25 In one of your answers you said

DiBenedetto - direct

39

1 something like -- I'm going to paraphrase it -- the  
2 ultimate plan was to get a lot of mortgages in and  
3 then sell them or securitize them or sell the  
4 company?

5 A Sell the company.

6 Q Before the mortgages became a problem?

7 A Yeah.

8 Q How do you know that? I'm not fighting  
9 with you, I'm trying to find out your factual basis  
10 for your statements.

11 A Well, I mean, with the type of loans  
12 they were writing, it would have to be a quick exit  
13 strategy unless Walsh was insane, because it's going  
14 to catch up to you. You're not going to write -- I  
15 mean, just think, if you're going to write those type  
16 of loans -- and again, they weren't doing this for an  
17 extremely long time. It's not like Walsh Securities  
18 was being bought by Resource Bank Shares with a 15,  
19 20 year history where they were doing a certain  
20 volume.

21 You trace the volume of Walsh  
22 Securities, you will see it was doing basically  
23 nothing and went wow, and for a certain period of  
24 time, whoops, I'm for sale.

25 Q You also referred in one of your

DiBenedetto - direct

50

1 Q Let me call your attention to page 33,  
2 lines 9 through 13.

3 A Okay.

4 Q You indicated there that in 1995 and  
5 1996, Betty Ann DeMola verbally abused you in an  
6 effort to cause you to raise the value at which you  
7 appraised a particular property.

8 A Right.

9 Q On how many occasions did that happen?

10 A I don't know exactly what number, but I  
11 know it was common. Again, it was a common  
12 occurrence. She would call up and say, okay, the  
13 house is appraised for a hundred thousand. She would  
14 call up and say, you know, we need -- Kellie would  
15 have called also --

16 Q Let's just deal with Betty DeMola. I'll  
17 come back to Kellie.

18 A She would say the six appraisals were a  
19 hundred, 120, 130, 140, 150, she would say I need  
20 another 30, 35, \$40,000 because I have to cover the  
21 closing costs of these people and the down payment of  
22 these people.

23 There would be a bit of a back and forth  
24 on something like that.

25 Q Was that unusual in your experience?

DiBenedetto - direct

51

1 A No, it was not.

2 Q No, no. In your experience as an  
3 appraiser, was it unusual that a lender would call  
4 you as an appraiser and say to you, as Betty Ann  
5 DeMola did, I need you to raise the value at which  
6 you appraised a particular property?

7 A Yes, as a lender, yes.

8 Q Did Ms. DeMola tell you why she wanted  
9 you to raise the value?

10 A Yeah. I mean, after she said it, you  
11 know, four or five times on different occasions, you  
12 know, with the same story every time, but not the  
13 same stories in fact, obviously.

14 Q What did she tell you?

15 A What I just told you.

16 Q Okay.

17 And then on page 33, lines 13 through  
18 18, you indicate that in 1996 you had a discussion  
19 with Betty Ann DeMola, Walsh Securities, concerning a  
20 number of Walsh loans that you learned had gone into  
21 default early in their history.

22 A Um-hum.

23 Q You further indicate in this transcript  
24 that, "Ms. DeMola stated, in substance, that she  
25 would have the loans brought current so they could be



DiBenedetto - direct

52

1 sold by Walsh, and that the loans would be paid  
2 current by having them paid down with money orders  
3 which were not traceable."

4 A Yeah.

5 Q On how many occasions did you have that  
6 conversation with Ms. DeMola?

7 A Once.

8 Q Why were you having that discussion with  
9 her? That is, why was that a subject that you as an  
10 appraiser and Miss DeMola would be discussing?

11 A Well, I mean, I stopped real estate  
12 appraising based in part -- not based in part, but  
13 based on this company, because in the end I could  
14 see -- to her, my point was if all these loans -- you  
15 know, this is a great thing, your product is  
16 wonderful, I understand everyone is benefiting from  
17 it, it's a wonderful thing, no money down, no closing  
18 costs, values, whatever.

19 What happens when all the buyers are so  
20 qualified and everything? Now it turns out the  
21 buyers were in default. Nobody talked about that  
22 early on. The buyers were going into default.

23 She didn't worry about it. She said  
24 money orders were going to take care of it and they  
25 were going to be paid down.

DiBenedetto - direct

53

1 Q As I understand it, Ms. DeMola is the  
2 brother -- I'm sorry, as I understand it, Ms. DeMola  
3 is the sister of Robert and James Walsh, is that  
4 correct?

5 A Yes.

6 Q Okay.

7 A She was like the -- she managed the  
8 sales. She was like the sales manager, I would  
9 imagine, you know, that Mr. D'Apolito and the  
10 management reported to.

11 The questions were always deferred to  
12 her.

13 Q And then on pages 33 and 34 you indicate  
14 that thereafter you questioned Ms. DeMola as to what  
15 would happen when those payments stopped and the  
16 loans then went into default.

17 "Ms. DeMola stated, in substance, that  
18 the loans would be spread out among different  
19 purchasers minimizing the exposure to Walsh, and then  
20 at worst, Walsh would tie up the matters in extended  
21 civil litigation."

22 A This was pre they were going to sell it.

23 Q This is before they were going to sell  
24 the company?

25 A Yes, this is pre they were going to sell

DiBenedetto - direct

58

1 I'm not appraising anymore. He's  
2 panicking because he's not getting appraisals.

3 I told him, Billy, I don't do appraisals  
4 anymore. When you depose him, you know, Bill.

5 He was in the car with Robert Walsh.

6 Q How do you know he was in the car with  
7 Robert Walsh?

8 A He said he was in the car with Robert  
9 Walsh. I could hear him in the background.

10 Q Were they traveling down to  
11 Atlantic City?

12 A They were at the convention.

13 Q Okay.

14 A Then what happened was, I think  
15 Robert -- I don't think, I know, when he was -- they  
16 were talking to me -- not they, Kane was doing most  
17 of the talking, but they began to bring up this  
18 merger thing, the first time I heard of this merger,  
19 Resource Bank Shares stock, and then Kane said to  
20 me -- you can ask him about this when you call him --  
21 Walsh hurt his arm on the door or something. He was  
22 like sort of cursing a little bit, I hurt my f'ing  
23 arm, blah, blah, blah, I hurt my arm.

24 Then Kane said something to me to the  
25 effect -- you can ask him exactly what his words

DiBenedetto - direct

59

1 were -- Walsh was saying, I'm going to be on the  
2 Forbes 400, I'm going to make the Forbes 400 after  
3 this deal.

4 Then I said to Kane, what the fuck is he  
5 talking about? He didn't, you know, sound too  
6 coherent. He was out late or whatever.

7 Then he said to me, Walsh is selling his  
8 company for whatever, for a lot of money, and he's  
9 talking about being on the Forbes 400, da, da, da,  
10 -da.

11 Then what happened was after that was  
12 Kane called -- you know, I, upon hearing that, for my  
13 own personal reasons, though I hadn't done any  
14 appraisals for a year, was sort of like relieved,  
15 that maybe they got taken over, it would be a nice  
16 thing. Maybe this whole thing would go away. As  
17 luck would have it, that's not the way my life goes.

18 I was like, this could be good. Sell  
19 the company, good for him, everybody is happy,  
20 everybody goes away, but it didn't. Jesus Christ.

21 What happened was Kane got very angry --  
22 you can ask Kane about this -- about a month later  
23 Broda told me, and then I talked to Kane myself.

24 He said Walsh was making -- telling him,  
25 we can't do this anymore, meaning these Cristo deals

DiBenedetto - direct

60

1 anymore, this Ponzi scheme, which we got to stop  
2 this.

3 What it was, was for a year this was --  
4 all these millions of loans, they were performing,  
5 paying 12 percent interest, the files looked  
6 perfectly okay, but guess what? The minute they  
7 pulled the plug, it's over. It's exposed, all these  
8 loans are all BS, and look what happened after this  
9 happened.

10 So Kane and Grieser went to Walsh  
11 Securities, and you can ask who said what to whom,  
12 but I think it was Grieser who came across the top  
13 and told Walsh -- this is several months before the  
14 merger -- you stopped funding our f'ing loans, I'm  
15 going to stop paying.

16 At that point Robert Walsh made the  
17 decision to continue funding his loans after knowing  
18 full well what was going on, but he knew full well  
19 what was going on the whole time. He wanted to keep  
20 everything copasetic until they had this big merger.

21 Two months later, or whatever exactly  
22 the time period was, I get a call from Bill Kane  
23 saying that, you know, he -- the Asbury Park Press is  
24 nosing around my company, no big deal --  
25 understatement of the century, sarcastic -- and said

DiBenedetto - direct

61

1 that, you know, this isn't a major problem, and I'm  
2 going to talk to some councilman or something.

3 I said, what's no big deal?

4 He says, they are going to write a big  
5 thing on our company.

6 I said, what's the problem?

7 At this point I still don't know that  
8 this wasn't -- the Asbury Park Press, this is the  
9 first time I read about the Capital Assets, I mean, a  
10 question to any appraiser, if somebody told me up  
11 front, seriously, that I'm going to buy a house and I  
12 want you to appraise the house and push the value up  
13 a lot, and then push up the value as a Ponzi scheme,  
14 you know, there is just so much you can take.

15 I said I pulled out a year before. I  
16 didn't know what the hell was going on here.

17 Obviously he didn't tell Colony, I'm  
18 sure he didn't tell Broda.

19 You don't say, hey, listen, I'm taking  
20 this house, I'm buying this house. I'm not going to  
21 fix it up. What do you think he told the appraiser?  
22 Of course he said he was going to. The appraiser  
23 would say, I'm not doing it.

24 Otherwise he would have to tell the  
25 appraiser, you know what? Guess what, we are

DiBenedetto - direct

62

1 partners. Not only partners, the appraiser should be  
2 getting 75 percent of the profit.

3 He's very, very low key. He had that  
4 history. All of my properties all pay. You can call  
5 Walsh, you can call Betty Ann, everything is paid  
6 off, everything is going. I've never had a default.  
7 You can call them. Call them at the company.

8 Betty Ann would get on the phone and  
9 say, no, Cristo Properties never had a default.

10 So you say to yourself, you're  
11 appraising for these people, they are telling you the  
12 guy never had a default, he has a perfect track  
13 record, Betty Ann is on the other side yelling at you  
14 on the goddamn phone, oh, you got to get in with this  
15 number. You're out of your mind, you got to hit this  
16 number. They never had a default.

17 You got them having a perfect, perfect,  
18 perfect trade. Then, whatever the payoff is, they  
19 tell Kane, hey, guess what, get out of here.  
20 Good-bye. Go home.

21 Well, you know, Kane was a bit rough  
22 around the edges and Grieser was okay. Fine, when  
23 the deals come through, you have to keep on doing  
24 this. They made that deal and they kept on doing the  
25 deal before this merger was going on.

DiBenedetto - direct

63

1 Q Stay right with that.

2 How do you know, were you told by either  
3 Kane or Grieser about the conversation --

4 A Kane left --

5 Q Hold it.

6 With respect to the conversation that  
7 Kane and Grieser had with Robert Walsh where they  
8 told Robert Walsh that he had to continue funding  
9 even after it was a fraud and Robert Walsh agreed to  
10 do that, how do you know that?

11 A He called me up afterward.

12 Q "He" being whom?

13 A Kane.

14 Q Okay.

15 A He called me up afterwards and laughed  
16 and said that, you know, Gary -- now it's coming back  
17 to me -- Grieser was the one that laid him out. He  
18 said Gary laid him out.

19 He told Walsh, you're funding all these  
20 loans. If you don't, every single one of these other  
21 ones we done, whatever the amount was, 150, 200, 140  
22 to 160 or 200, are going to go under, and that's the  
23 end of it.

24 Q Do you know where the meeting took  
25 place?



DiBenedetto - direct

64

1 A In Parsippany.

2 Q At Walsh Securities' office?

3 A I think D'Apolito set it up. You have  
4 to ask Kane about the particulars. He folded up like  
5 a cheap suit, Robert Walsh, and that was the end of  
6 it. They kept on folding the loans.

7 That's a couple of months before the  
8 thing in the paper, 30, 60 days, I don't know  
9 exactly. You have to get it from them exactly what  
10 the time frame was.

11 When this 60 day window hits and the  
12 thing hits the newspapers, that's when I'm told,  
13 don't worry about it, it's no big deal, they are  
14 going to talk to a councilman. How is a councilman  
15 going to save you?

16 Then I read the newspaper and I see that  
17 Kane -- you know, he still doesn't tell us. When I  
18 was talking to him in March and April, that was the  
19 first time it obviously resonated in my head.

20 I'm not saying you're in denial, but  
21 your head is up your you know what during this  
22 period. Even though I did appraisals, I remember  
23 calling Tom, he said that Grieser went in there and  
24 said that he told Walsh he's going to have it go by.

25 It's a fuckin' Ponzi scheme, Tom. We

9111

DiBenedetto - direct

65

1 been had. This was an Ponzi scheme. It's 200 loans.  
2 It's a Ponzi scheme.

3 He's like, oh my God, what do you mean  
4 it's a Ponzi scheme?

5 He calls Kane, and Kane's like, don't  
6 worry about it, don't worry about it, we'll take care  
7 of it, we'll take care of it.

8 When this merger is over, don't worry  
9 about it, the company, the company that's buying it,  
10 they will absorb it and everything will go away.

11 Didn't happen that way.

12 Then in the end of June the newspapers  
13 hit, and then I -- see, I thought it was a Ponzi  
14 scheme where like they were making the payments every  
15 month, like Betty Ann was talking about with the  
16 money orders. I didn't know Grieser had Capital  
17 Assets, which was the craziest thing I ever heard in  
18 my life, where he's doing this crazy Ponzi scheme.  
19 But that's what it was.

20 And Kane, he had the run of the place.  
21 Kane was the big star over there at Walsh Securities.  
22 He would walk in there and he's going through Robert  
23 Skowrenski's -- you know, they set him up with his  
24 own satellite, Walsh Securities office, where he  
25 would use the satellite of Skowrenski, you know,

DiBenedetto - direct

66

1 where he would get the origination fees, and him and  
2 Betty Ann are like this.

3 Bill Kane always, he had Betty Ann and  
4 Robert Walsh wrapped around his fingers.

5 If you ever had a question to do with  
6 his loans, he was the only client I ever had who  
7 dealt with Walsh Securities and say, get Robert Walsh  
8 on the phone, Betty Ann, they would just vouch for  
9 his tremendous character and his deals were  
10 absolutely tremendous.

11 They did it nonstop. Ask Kane about it.  
12 That's what he did.

13 There was questions. If you were fixing  
14 up a house in the normal course of things -- which is  
15 why this got totally out of control in this case with  
16 Cristo and Walsh.

17 Other people, you would go see their  
18 houses, they paid 150,000 for it, they want to sell  
19 it for 220, they put 20,000 into the house. They  
20 might put five, 10, 15,000 into a house.

21 As Broda described to me later -- like I  
22 told you, I pulled out of this earlier -- nothing  
23 would be done. Nothing would be done on the house  
24 except for the front and stuff like that.

25 So invariably they would call up Walsh

DiBenedetto - direct

67

1 and call up Betty Ann, and, you know, you would need  
2 somebody to vouch for the fact that this person had a  
3 perfect payment history, you know, it just boggled  
4 the senses.

5 But, you know, it was well planned, well  
6 calculated, and it worked for a period of time.

7 I think Pearson, as I recall, the people  
8 who did the majority of the appraisals, I think there  
9 was 200 some odd, and Clani, C-l-a-n-i, I think Broda  
10 might have done 40 or 50, I think I did 25, I think  
11 Pearson did four.

12 There is other people that did one or  
13 two, too. There was a Michael Pacillo. If he talks  
14 to you, he'll tell you the same thing. They didn't  
15 indict him. He did one or two. He was one of the  
16 lucky ones.

17 Another appraiser -- you talk to any  
18 appraiser out there in Jersey, say the same thing,  
19 Walsh Securities, no money down, no closing costs, no  
20 due diligence, and everybody knew about it.

21 Q You talked about the conversation with  
22 Kane when he was in the car with Robert Walsh.

23 A Right.

24 Q Were you ever with Kane on any other  
25 occasion when he spoke with Robert Walsh?

DiBenedetto - direct

81

1 the first part. Obviously they knew all this stuff  
2 was going to explode. That's the basis of their  
3 entire business, and that's why it obviously wasn't a  
4 long term loan.

5 Like I said, to plead ignorance, there  
6 is so many people that had to be involved. There  
7 were people asking questions, from the appraisers at  
8 the bottom to the lawyers. How many times did people  
9 go to settlement and say, what's going on here? I'm  
10 talking about a straight lawyer.

11 What's the wire? Do you know what I  
12 mean?

13 Q On page 34 of your plea, beginning on  
14 lines 8 through 23.

15 A Right, okay.

16 Q Where you do talk about land flippers,  
17 and you say you had a discussion with DeMola  
18 concerning a large portfolio of Walsh loans that were  
19 made to particular land flippers and which you  
20 believed involved borrowers who had little or no  
21 equity in the property.

22 A Yeah.

23 Q About when was that conversation? It  
24 was mid 1997? That's what you say here?

25 A I think -- I'm saying, when did this

DiBenedetto - direct

82

1 whole thing collapse?

2 Q Was it before --

3 A I thought it was '96. When did the  
4 thing go in the newspapers?

5 Q I don't remember.

6 Was it before it got in the newspapers,  
7 your conversation?

8 A Oh, before, yeah.

9 Q And you say further in this transcript  
10 of your plea, that Ms. DeMola responded, in  
11 substance, that she was unconcerned because Walsh was  
12 going to be sold for a lot of money?

13 A Yes.

14 Q Was that a reference --

15 A That was -- they were giddy over -- like  
16 I said, I'll put this in context, it's a good  
17 question.

18 If I hadn't been doing appraisals for  
19 six or eight months, which I hadn't, for a year, what  
20 I was worried about was Walsh Securities is Walsh  
21 Securities. They went down in flames. I was worried  
22 everyone else was like, oh, they are going to sell it  
23 off.

24 I was sort of relieved they were selling  
25 it to Resource Bank Shares. That's the initial

9116  
DiBenedetto - direct

83

1 response, relief.

2 The next day my interpretation became a  
3 little more nuanced. It was like, wait a minute,  
4 they are going to see all these crappy loans. I  
5 don't care if I did them a year ago, 25 loans, oh,  
6 man, this is going to get ugly as hell.

7 So I panicked, and that's when I would  
8 call them up and say, what are you going to do about  
9 this? What are you going to do about these loans?  
10 What are you going to do? What are you going to do?

11 Betty Ann, you know, I would say to her,  
12 what are you going to do? What's your game plan  
13 here? What are you going to do?

14 The answers didn't make me too  
15 comfortable. But what am I supposed to do, you know  
16 what I'm saying, absent calling up Resource Bank  
17 Shares and telling them, don't do it. It didn't  
18 matter. The die was cast and the Asbury Park Press  
19 was on top of it anyway.

20 Like I said, then these things got to  
21 where they went, and unfortunately for everybody,  
22 this is what happened.

23 This whole scheme is so -- there are so  
24 many different layers, so many different people that  
25 have to deal and so many different levels of a loan

9117  
DiBenedetto - direct

84

1 process, to seriously sit here and go through what we  
2 are going through now with all this litigation and  
3 everything else under the premise that somehow, some  
4 way, Walsh Securities didn't know about any of this  
5 is -- it boggles the imagination. It really does.  
6 It's bizarre.

7 Q Page 34, lines 18 through 23,  
8 Judge Wolin asked you the following question:

9 "Did you later discuss with Robert Walsh  
10 of Walsh Securities your concerns regarding defaults  
11 in that same portfolio of Walsh loans which were made  
12 to particular land flippers and which you believed  
13 involved borrowers who had little or no equity in the  
14 properties?"

15 You responded: "Yes, your Honor."

16 Tell us more about that conversation.

17 A It's all under the same -- it's the same  
18 venue, same subject matter, the same as Betty Ann, as  
19 my concerns to Broda, as my concerns to Kane, as my  
20 concerns to D'Apolito, as my concerns to anybody who  
21 would talk to me at this point.

22 How are you going to sell this company?  
23 How are you going to sell this company for all this  
24 money and not tell them about this?

25 Q Not tell the purchaser?



9118  
DiBenedetto - direct

85

1 A Not tell the purchaser.

2 What's going to happen when they find  
3 out -- I don't know about you, but if I'm a bank and  
4 I'm paying \$300 million or 200, whatever, I'm going  
5 to be pretty well jacked off, pissed off and angry if  
6 I'm going to put three-tenths of a billion dollars in  
7 some crazy SOB's pockets, who I find out is nothing  
8 but a two bit criminal, for the last year and a half  
9 who has just this gigantic scheme going on which is  
10 lies to everybody, and then I'm going to sell my  
11 company and I know there is going to be  
12 ramifications.

13 What I'm telling you, my outlook, I  
14 wasn't very happy, because I saw as an appraiser, you  
15 know, look what happened? I did 25 appraisals. But  
16 guess what? For the first time in 25 years a real  
17 estate appraiser in New Jersey got indicted just due  
18 to this bozo scheme.

19 The only reason why I got in trouble and  
20 the reason why other people got in trouble was to get  
21 up the line, and they didn't get up the line. They  
22 got almost all the way up the line, but not all the  
23 way. They ran out of time for whatever reason, they  
24 said.

25 The point is, if the bank -- my point

DiBenedetto - direct

86

1 was when they sold this thing they were making a lot  
2 of money going over the loans, afford to pay  
3 attorneys, making a lot of money as they are going  
4 along.

5 I didn't think it was too smart, you  
6 know, I sell the company, the company is going to get  
7 pissed off, you just defrauded me out of \$300  
8 million.

9 Walsh says, I, I didn't know anything,  
10 it's all baloney. I didn't do a goddamn thing.

11 Hire some expensive attorneys.

12 Guess who they are going to come after?  
13 Me, the attorneys, the title companies, just exactly  
14 what's happening now.

15 No, it wasn't me, it wasn't me. I was  
16 in charge, my sister was in charge. These are the  
17 loans we are doing. They are all flips, this and  
18 that, people are reviewing the documents, they don't  
19 see anything. Appraisers, forget it, everything is  
20 lies, no, no, no. Write it off.

21 I knew, I was very afraid of the fact  
22 that it was going to come down on us. It came down  
23 on me harder than I expected and quicker than I  
24 expected. I thought they were going to sell this  
25 company, and six months, a year later, you know, they

9120  
DiBenedetto - direct

87

1 were going to find out.

2 Also, in my head I was thinking maybe  
3 they cut bait and they are in South Carolina. I  
4 don't want the bad publicity.

5 Then I heard the argument they are a  
6 publicly traded company. This is conversations going  
7 back and forth between the people. You're worried,  
8 that's why. Maybe they don't want this to get in the  
9 public because it will hurt the shareholder value.  
10 This is the kind of crazy shit you hear. It's going  
11 to hurt the shareholders.

12 It didn't get put under the rug. The  
13 Asbury Park Press came right over the top of it.  
14 Walsh Securities making -- you know, to sell for  
15 \$300 million dollars, whatever, they had to be making  
16 30, 40, \$50,000 a year, and this little blip, 200  
17 loans, set aside five, \$10 million, that's it. It's  
18 over. Take a month's pay, put it aside. You go away  
19 and sell your company.

20 But, no, they couldn't do that because  
21 the entire company was cancer from the ground up.  
22 90, 80 percent of their loans, cancer. No more  
23 credibility in the marketplace. You can't go in the  
24 marketplace now with all the people circling around.

25 Now, you're now an attorney and you get

DiBenedetto - direct

88

1 a deal now with Walsh Securities name on it, or any  
2 of you guys do after what's in the newspapers and  
3 everything, you will be prone to overlook the title  
4 and see it and take the proceeds and close it? I  
5 don't think so.

6 They collapsed because they weren't  
7 going to be allowed to do their scheme anymore. It  
8 wasn't their programs. Their programs were just, you  
9 know, a precursor for the rest of the scheme. But  
10 the big scheme was the flipping part, where I could  
11 use the proceeds from the mortgage loan to pay the  
12 buyer, to put the cart before the horse. That's  
13 their niche, the cart before the horse.

14 Q And then on 34, the bottom of page 35 at  
15 the top of the transcript, you stated that Robert  
16 Walsh sought to reassure you, in substance, that no  
17 difficulties would result from those loans because  
18 many of those loans had been sold by Walsh Securities  
19 and because the purchasers of those loans would not  
20 likely become aware of their problems.

21 A Yes.

22 Q Was that a single conversation that you  
23 had with Robert Walsh or a number of conversations?

24 A That was a conversation with Robert  
25 Walsh in the context of this whole transaction, when

DiBenedetto - direct

89

1 it was being contemplated with Resource Bank Shares.  
2 This is all in the realm of -- the person I dealt  
3 with, Kellie O'Neill, I dealt with D'Apolito,  
4 obviously Betty Ann, all the loans are perfect,  
5 everything is perfect, everything is wonderful.

6 Then Robert Walsh on a few occasions,  
7 but on this particular occasion, mostly just, hello,  
8 how are you?

9 But on this occasion, what's going to go  
10 on here? What's the end result going to be? In  
11 other words, I'm going to worry more about me. He's  
12 obviously not worried about me. He's just worried  
13 about this, much like he is with you guys. That's  
14 the way the man operates. He's not worried about  
15 anything but himself, and maybe he's not even worried  
16 about his goddamn self.

17 Q Let me ask you this. Stay right there  
18 for a second.

19 What Walsh Securities has said in this  
20 litigation is that Robert Walsh himself did not have  
21 any knowledge of any frauds or improprieties.

22 A I'm sorry.

23 Q Why do you say that?

24 A Just on my own knowledge myself. My own  
25 knowledge. My own knowledge. I told you when he's

DiBenedetto - direct

90

1 talking to me with Kane down in Atlantic City, you  
2 have to talk with Kane.

3 Kane dealt with him face to face a lot.  
4 They were buddies, obviously. I wouldn't be hanging  
5 out drinking with you in Atlantic City if I wasn't.  
6 Do you know what I mean?

7 Robert Walsh, he's going to sell his  
8 company for whatever, he's all excited, he's going to  
9 be on Forbes 400.

10 Who does he pick in the entire  
11 Atlantic City to hang out with but Bill Kane, Cristo  
12 Properties? I mean, do you think it was because they  
13 had mutual interests? Do you think it was because  
14 they had friends, family? No, because they were deep  
15 involved in this crap.

16 Do you think when Betty Ann DeMola gets  
17 on the phone and says, oh, no, no, no, he has perfect  
18 payment history, what are you doing? You got to get  
19 the appraisals up. What the hell is the matter with  
20 you? We'll cut you off. We'll cut you off.

21 You don't think they were involved in  
22 it? They were so involved in it, I got kicked off  
23 the appraisal list. I didn't care. I got kicked off  
24 their appraisal list after I stopped appraising them.

25 Betty called me up on the phone --

DiBenedetto - cross

116

1 been done?

2 A Yeah.

3 Q Who did you have those discussions with?

4 A Anthony D'Apolito, obviously,  
5 Skowrenski, Kane.

6 Q How about Ms. DeMola? Did you ever have  
7 a conversation with Betty Ann DeMola?

8 A Oh yea, Walsh, obviously, at the end.

9 Q Did you expect that anyone was looking  
10 at these appraisals at Walsh?

11 A As far as reviews are concerned?

12 Q Yes, sir.

13 A At Walsh?

14 Q At Walsh.

15 A No, I knew that they were not.

16 Q How did you know that?

17 A They told me they weren't looking at  
18 them.

19 Q Who told you that?

20 A Betty Ann, D'Apolito, Kellie O'Neill,  
21 Robert Walsh. The only time I ever got flagged on a  
22 review appraisal at Walsh, ever, was I got a review  
23 from I guess someone they had an independent loan and  
24 sold it off, and like whatever, a couple months  
25 later, whoever they sold that loan off to, they did a

DiBenedetto - cross

118

1 In other words, I bought the houses with  
2 my own money, fixed them on my own money and then  
3 sold them. I didn't get involved with buying the  
4 house for 50,000, using their money, 80,000, paying  
5 off, and using their money.

6 Q I understand.

7 When you were buying the properties,  
8 were you buying it with Walsh money?

9 A No, my money.

10 Q What was the involvement of Walsh in  
11 those transactions?

12 A They were the end lender. They were  
13 still the easiest to deal with for, you know, to sell  
14 your houses.

15 Q So you were buying the property with  
16 your own money, or you and your partners, fixing them  
17 with your own money or that of your partners, and  
18 then selling them to third parties, and the third  
19 parties were being processed as borrowers for Walsh?

20 A Exactly.

21 And during that time D'Apolito and  
22 Kellie O'Neill, and supposedly they were splitting it  
23 with Betty Ann, they made us pay them a thousand  
24 dollars each per house. In other words, if we wanted  
25 to close a house, if we had five houses we wanted to



DiBenedetto - cross

119

1 sell, D'Apolito would want a thousand, and he got it.

2 Q In order to approve the loans?

3 A In order to fund them immediately.

4 My point was like, well, Kane is getting  
5 his funding and he obviously hasn't done anything to  
6 the house yet. I bought it with my own money, I'm  
7 not using your money, I'm fixing the house and then  
8 I'm selling it. Somebody is giving you a clean deal.

9 But they basically -- the way they  
10 operated the company, it was sort of like a criminal  
11 organization type thing. They didn't want to hear  
12 it.

13 D'Apolito used to call it vigorish. I  
14 wasn't too happy with that. I basically wanted to  
15 punch him in the mouth. But I had to do business.

16 D'Apolito wanted a thousand, Kellie  
17 wanted a thousand, and, Kellie, what are you doing?  
18 You're just processing it. There are checks for all  
19 these things. The people were stupid enough to get  
20 the checks in their names.

21 Q These were moneys being paid to expedite  
22 the closing process?

23 A Yeah, and supposedly they were sharing  
24 it with Betty Ann. Again, I can only talk as to what  
25 I dealt with Betty Ann or I dealt with Robert Walsh.

DiBenedetto - cross

126

1 one comp.

2 Colony was in there early, as I recall,  
3 and then Colony would do the second appraisal. She  
4 would have three comps, 158, 160, 162.

5 So I was like, you got three comps then.  
6 Okay.

7 Q So what did you do?

8 A Well, Broda went down, looked at the  
9 houses, they were all comparable for the houses they  
10 wanted appraised for 158, 160, 162. He appraised  
11 it and gave the values to me and I signed it.

12 Q So you reissued a second issue?

13 A In other words, they closed the one  
14 house. They established a market.

15 Q You do enough of them, you create a  
16 market upon which you can appraise the rest of them?

17 A Exactly.

18 Q I'm trying to figure out what you did.

19 A This is for number four. Like let's  
20 assume they had one, two, three, and they are coming  
21 up to me and saying they are spreading out.

22 Q My question to you is, had you already  
23 submitted an appraisal which Ms. DeMola then  
24 contacted you about which was not of sufficient value  
25 for her purposes and she then supplied you with

DiBenedetto - cross

127

1 comparables?

2 A Yes.

3 Q And you changed the appraisal?

4 A Yes.

5 Q All right.

6 A Yes, after some going back and forth,  
7 yes.

8 Q So you had originally submitted an  
9 appraisal at one price?

10 A Yes.

11 Q Supported by your comparables that you  
12 could find?

13 A Right.

14 Q She then contacts you and said, if this  
15 deal is going to close, we need \$50,000 more?

16 A Yes. And she also said if I didn't do  
17 it, you would never do another appraisal for Walsh  
18 Securities again.

19 Q I understand.

20 Then she supplied you with comparables?

21 A Yes.

22 Q You send Broda out to look at those  
23 properties to see if they were in fact comparable?

24 A Right..

25 Q You resubmitted a new appraisal at the

DiBenedetto - cross

129

1 was the Multiple Listing Services?

2 A Yes, except for Walsh, that's where you  
3 use them. Walsh had the private sales list.

4 Like in Asbury park, the multiple  
5 listing, it might support a value of 50, \$60,000.  
6 The ones that Walsh used supported a value of  
7 250,000. Do you understand?

8 During that year, that's how this whole  
9 thing fell apart. The tax assessor, he's the one  
10 that brought this whole thing to the government and  
11 everything else, and I should have said the newspaper  
12 at first.

13 From what he saw -- the average ones I  
14 saw during the year, I'm guessing here, but from what  
15 he was saying, in a year in Asbury Park the normal  
16 amount of houses that would sell -- it's not a big  
17 town, now with the development there would be a lot  
18 more -- so you had maybe 30 houses that would sell  
19 for 50, 60, \$70,000.

20 Now Cristo is doing 200 sales coming in  
21 for three or four times what he thinks the values  
22 were. I think he complained at that point, and  
23 that's where it ended up.

24 Q Did you ever have any discussions with  
25 Ms. DeMola or anyone else at Walsh where you were

DiBenedetto - cross

130

1 requested to alter appraisals after loans had closed?

2 A Yes.

3 Q Can you tell me about that?

4 A Well, a loan would close -- well, there  
5 is the instance of the ones like I told you, I  
6 thought the loan had closed, but I had to do the  
7 appraisals post closing.

8 Q I'm not talking about where you were  
9 supplying appraisals and asked to backdate them.

10 In other words, were there ever  
11 circumstances where you had done an appraisal --

12 A Yes.

13 Q -- and you were of the belief the loan  
14 closed and afterwards you were asked to change that  
15 appraisal?

16 A That was an issue, yes.

17 Q How did that come up?

18 A My appraisal was, let's say, 150,000.  
19 Then they would just take it upon their selves to  
20 make it 170,000 and call me afterwards, after it was  
21 submitted at 150,000, even though 150,000 -- you got  
22 to understand, the comps are 50 and 60,000, I'm  
23 coming in at 150.

24 They call me up afterwards and say, you  
25 know, afterwards, you got to come in at 170,000 to

DiBenedetto - cross

131

1 cover the costs and everything else.

2 So I have to say, how the hell am I  
3 going to do that? They show me three other comps,  
4 170, 172, 174, and it kept on going up.

5 I basically tapped out of the card game  
6 and the market just kept on going in the other  
7 direction.

8 Q After you stopped doing appraisals for  
9 them, did Ms. DeMola ever come back to you and ask  
10 you to change anything that you had previously done?

11 A After what, after I stopped?

12 Q After you stopped doing appraisals for  
13 them, did Ms. DeMola or anyone else from Walsh --

14 A Yeah, a couple of requests where they  
15 wanted 175 versus 150, or 180 for 150.

16 Q In your two years or so doing  
17 appraisals, were you ever involved with any other  
18 lender that asked you to backdate an appraisal?

19 A No.

20 Q Involved with any other lender who asked  
21 you to perform an appraisal of a property that had  
22 already closed for purposes of justifying the amount  
23 of the loan?

24 A No.

25 MR. HAYES: That's all I have,



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25



~~DiBenedetto~~ direct

Page 226

1 brokers' offices for what I understand -- Selective  
2 Financing being one of them. I remember the guy  
3 calling me and saying "they came in."

4 I thought that was a little bizarre,  
5 too. Pretty brazen.

6 You're saying: All we need is this and  
7 that.

8 But I've also seen other companies that  
9 also didn't last long with the same type of: All we  
10 need is this, an escrow letter, all we need is a  
11 letter from an accountant, all we need, all we need.

12 My point is with the precursor before  
13 "all we need" -- you know what I mean?

14 Almost like saying it's fake. "All I  
15 need is -- all I need is an escrow letter."

16 Q With respect to Walsh Securities, what  
17 is it that made you suspect they were doing this?

18 A What do you mean, what makes me suspect  
19 they were doing it? What makes me know they were  
20 doing this?

21 Q What makes you know they were doing  
22 this?

23 A Know what? I know they were involved  
24 in this?

25 Q They knew these were fake escrow

~~DiBenedetto~~ direct

Page 227

1 letters and they were giving these loans with no  
2 money down?

3 A Because if -- you got to like -- okay.  
4 You're funding at the end of the month X amount of  
5 loans. \$50 million in loans. If 20 or \$30 million  
6 of purchases -- that is right off the bat right  
7 there -- that is a red flag.

8 The mortgage companies, you know,  
9 normally have 80 or 85 percent refinance. Maybe 15  
10 percent. Especially sub-prime. People will not  
11 want to put this money down. Especially back then.  
12 Maybe less than that. Maybe ten percent.  
13 Ninety/ten. The second red flag. People will not  
14 put down the excess money and pay the interest rate.  
15 Doesn't make sense.

16 The third red flag, they have  
17 underwriters on staff. They're putting the excess  
18 money down and paying the high interest rate and  
19 they have good credit.

20 Like the whole thing doesn't make any  
21 sense. To think that Walsh wouldn't have known  
22 would be like -- it just wouldn't make sense.

23 The same thing as me coming in here and  
24 saying I have these ten clients coming in tomorrow  
25 and I want to do ten real estate closings with you

~~DiBenedetto~~ direct

Page 228

1 and the settlement charges -- you'll be able to  
2 charge us \$25,000 each.

3 You'll not ask questions? What are  
4 you? Crazy?

5 I'll make \$25,000 on settling on two  
6 houses. Do you know what it means? Obviously,  
7 didn't make sense.

8 Don't ask me how it was allowed to keep  
9 ongoing. He obviously offered these loans to  
10 whoever he was selling to. He had to know, too,  
11 unless they were crazy. He was selling to Wall  
12 Street and they wouldn't budge.

13 Why would the person with a 700 FICA  
14 score pay 11 percent and putting 20 percent down?

15 Doesn't make any sense, right?

16 Q Other than these red flags, is there  
17 anything specific that you recall from that time  
18 period that leads you --

19 A Leads me to believe they were doing the  
20 money-down deals?

21 Q Yes.

22 A Everybody I talked to said they were  
23 doing the no-money-down deals.

24 Q Who is "everybody"?

25 A Every client -- Walsh Securities caused

~~DiBenedetto~~ direct

Page 240

1 would say that the world doesn't work that way.

2 All of a sudden, family members become  
3 very, very giving or the lawyers all of a sudden  
4 forget to make a copy. You do a closing, you make a  
5 copy of everything, don't you?

6 Q But you don't have any firsthand  
7 knowledge that somebody at Walsh Securities knew  
8 these were fake?

9 A I knew D'Apolito had to know because he  
10 was giving the seminars. I knew Kellie had to know  
11 because she was telling everybody. Betty Ann knew  
12 because she was telling they had the product.

13 Q Who were they telling?

14 A They were telling loan brokers. They  
15 were telling loan brokers.

16 Q And these loan brokers were telling  
17 you?

18 A No. I was always telling myself  
19 directly because I was doing houses with them, too.

20 Q Who told you directly?

21 A D'Apolito told me. I asked D'Apolito.  
22 It didn't matter. I put the cash in. Kellie  
23 O'Neill brought it in. Betty Ann DeMola brought it  
24 up.

25 Q Let's start with D'Apolito. You asked

~~DiBenedetto~~ direct

Page 244

1 Q How did you suspect this was going to  
2 help Walsh Securities?

3 A I think greed. Definitely one of the  
4 seven deadly sins. It got to be. I remember when I  
5 was out there. I remember when she was out there.

6 Q Who is "he" and who is "she"?

7 A I remember Bob Walsh. Specifically,  
8 Betty Ann. I remember her, you know, "You're not  
9 getting any business."

10 All she had to do was cross from here  
11 to here, I'm sure, and she made that decision to  
12 just step over the line.

13 As soon as she stepped over the line,  
14 they got tremendous riches and wealth.

15 Do you know what I'm saying?

16 They got the loan and got the chance to  
17 sell the company for a gigantic amount of money.  
18 Lot of advantages. Made all this money last month.  
19 They sold \$16 million in loans.

20 By the way, back then -- sub-prime is  
21 now different. Sixteen million a month back then.

22 Remember, sub-prime was probably -- now  
23 it is like 10 or 15 percent of the market. Back  
24 then it was like two percent. That would be closing  
25 like four or 500 today in today's marketplace.

1 was going to do, he was going to be -- what it  
2 turned out to be, just like Ponzi scheme, like a  
3 Ponsi. You know what I mean? It wasn't going to be  
4 good. That result wouldn't have been -- like I  
5 said, if it was 200 different people like yourself  
6 here at the table, just 200 different, it's one  
7 thing. Still horrible but explainable.

8 This is more like it would be  
9 something -- you know, it was cookie cutter perfect  
10 for someone to prosecute. Here's a guy that took  
11 200. If they were going to let him do this, you  
12 know what I mean, with 200 properties, you know,  
13 what more is anyone -- what more could you get away  
14 with?

15 Q. What did you expect to come from this  
16 meeting when you went in there with D'Apolito, Bob  
17 Walsh?

18 A. I just wanted to be put at ease.

19 Q. And how did you think you were going to  
20 be put at ease?

21 A. I don't know. I don't know. I mean,  
22 you know, it was -- you know, I wasn't happy.

23 Q. I mean I think you've testified that  
24 you believed that all of them were involved in this  
25 Ponzi scheme?

1 A. Yes. Uh-hmm. Again --

2 Q. So why would you approach them to talk  
3 about this?

4 A. Because I understand where you're  
5 coming from. Okay? But, again, like I told you  
6 when I first -- I also testified when I first did  
7 the appraisals. Again, you're talking about in the  
8 heat. You know what I'm saying?

9 When I did -- when I first did the  
10 appraisals and I got the extra \$500, you did that  
11 for this, and I told you that, if I would have known  
12 what I knew then, that Gary Greiser and him were  
13 going to go public with a REIT, again, I asked the  
14 question back to you. Don't you think I would have  
15 said, okay, I'll just do one of these, one, not 18,  
16 not 28, just not whatever, just one, and I'll make  
17 more money on one myself with not nearly any damage.  
18 You see what I'm saying?

19 If I would have known about it, what  
20 did I need? I didn't need Ken for \$10,000. I  
21 didn't need Gary Greiser for anything. I could have  
22 done it myself. You see what I'm saying? When I  
23 talked to them, I didn't know where the hell they  
24 were at. I knew they were doing no money down  
25 programs. I knew their underwriting was crazy. I

1 knew all that.

2 To be honest with you, I -- you know,  
3 judging by the situation, I definitely don't think  
4 that -- you know, and I'll say that too. I mean I'm  
5 not defending. Again, I don't think this is big  
6 offense. I told you I think he obviously knew about  
7 the underwriting. He knew this. He knew that. He  
8 didn't know about the Greiser, Kane thing till the  
9 end. Then out of that, he called Greiser and Kane  
10 in, and I heard this from Kane, and then that's when  
11 Greiser told him he didn't want to do business with  
12 him anymore because, obviously, Walsh himself didn't  
13 want to do this anymore, because he didn't know.  
14 Again, he might have thought it was spread out over  
15 200 people. It wasn't going to be this crazy thing  
16 that looked ridiculous. He went to cut them off.

17 That's when Greiser told him that's not  
18 happening. He didn't cut them off because they  
19 would have cut them off and stopped it. They  
20 wouldn't have made the payments on those mortgages  
21 in the middle of due diligence, and the whole thing  
22 would have collapsed, and at that point was also  
23 Greiser and Kane knew. Everybody knew. When they  
24 were getting -- when they were merging, everybody --  
25 it was a big thing. Walsh is merging. Walsh is



1 merging. Walsh is merging. So everybody knew that.

2 So they just basically held that against them.

3 So my point is, at the time when -- I  
4 don't think the Walshes, I don't think Betty, I  
5 don't think any of them might have known until --  
6 you see what I'm saying? None of us knew that. We  
7 all had different times when we knew about it. You  
8 understand?

9 Q. You don't think they knew about the  
10 straw buyers?

11 A. I think they knew the buyers were  
12 straw. I didn't think they knew what the kickback  
13 to Gary Greiser. Big difference. If you have a  
14 bunch of straw buyers, like I said, spread over 200  
15 properties, it's a problem. If you've got straw  
16 buyers who sold their credit to Gary Greiser, that's  
17 a gigantic problem, because now you got, you know,  
18 200 different mortgages all going back, and then  
19 like, evidently, they did the deed back to Gary  
20 Greiser back too. So that's going to be like -- in  
21 other words, if the securitization of loans got not  
22 only Walshes loans, but 50 other companies' loans,  
23 all the other thing, it would have been Walsh had a  
24 very high default rate versus some of the other  
25 companies at that time that were spread out over

1 these 200 different loans. Maybe one person had  
2 four loans, one person had five loans, ran into bad  
3 luck, bad broker, bad seed. Do you understand what  
4 I'm saying?

5 It's an ugly situation. It's poor  
6 underwriting. It's this. It's that. Your programs  
7 stink, blah, blah, blah, blah, blah.

8 Q. Bad business?

9 A. Right, if you do the Gary Greiser got  
10 220 loans with capital assets.

11 Q. You said you had two meetings with  
12 Walsh Securities. Why was it that it seemed Walsh  
13 Securities were calling you all the time?

14 A. No. I reached out to them.

15 Q. So you were the one that was initiating  
16 contact with them?

17 A. Well, the first time they -- the first  
18 time I got called myself, I got called in the  
19 office, Bettyann called me on the appraisal and told  
20 me to come in, and then, you know, talked to  
21 D'Apolito, and then we went in a second time was  
22 just based on, like I said, finding this out from  
23 Kane that, you know, this was the real estate  
24 investment trust.

25 Q. So are those the only two instances in

1 underwrote these very weakly just like a lot of  
2 other companies, and he just pushed them a little  
3 further than most. You understand?

4 Now, he was in the middle of it. To  
5 say he wasn't involved in it, of course. The other  
6 thing is you got to look at it this way. Bettyann  
7 is telling you to push the appraisals. Bettyann is  
8 telling you this, telling you that. Bettyann is  
9 telling you all this stuff. Do you think she's  
10 operating in a vacuum? It's her brother for Christ  
11 sakes. It's his company. You think she's having  
12 these conversations with me and everybody and he's  
13 not talking to her brother? Come on.

14 Q. Do you know firsthand what she was  
15 saying to Bob Walsh?

16 A. I talked to him firsthand. I got it  
17 out of his mouth straight. It wasn't good. Like I  
18 said, he didn't respond like I thought he was going  
19 to respond. It was basically like, you know, it's  
20 going to be handled, gonna sell, be this, be that.  
21 Then he talked to -- Kane called him on the carpet,  
22 just wanted to tell him, not that he was going to  
23 turn them in, which you think he'd have the  
24 responsibility to do both socially, ethically and  
25 everything else, doesn't turn them in, just tells

1 you I want to cut you off. Why? Because I'm  
2 greedy. I want to get the \$360 million.

3 What does he do? Greiser puts up  
4 against the wall, says I'm not paying my mortgages.  
5 So then he agrees to do more. So then he does more.  
6 Whatever he did through April, May, June, in those  
7 months, those he did with full knowledge of  
8 everybody. I don't know how many he did during  
9 those months, whatever that time was, April, March,  
10 May, June. Whatever those months, it was a long  
11 time. It was several months. Now, he knows full  
12 well he's cheating. Well, he knew he was closing  
13 with no money down. There were other companies  
14 doing it too.

15 Now, he knows he's right in the middle  
16 of this conspiracy. He's right in the middle of it  
17 and was in it for several months unless, like I  
18 said, on top of the fact though -- and I'm telling  
19 you I was the first person to tell him. If you're  
20 going to assume that his sister did this all in a  
21 vacuum, nobody else in the world knew about it, and  
22 she just lived with this all the time, and she said  
23 to myself I know what I'm going to do, I'm going to  
24 do all of this for my brother because I'm going to  
25 make my brother super wealthy, I want to do it

1 to say you only have to have a escrow letter? Now,  
2 do you see where I'm coming from where you only have  
3 to have a -- the reason you say you only have to  
4 have a -- because you're comparing yourself to  
5 competitors who are saying, no, you don't need an  
6 escrow letter. You need an escrow letter, plus copy  
7 of the check. You need escrow letter, plus copy of  
8 the check and the bank statements.

9 Now, some of the places would tell you  
10 they wanted just a copy of the check. Some of the  
11 places would tell you they want a check and the bank  
12 statements. So the farther -- the easier you made  
13 it for people, the better chance of you getting the  
14 business, obviously, and like I said, I mean that's  
15 what Walsh did. They -- basically, they made it  
16 easy for the appraisals. They made it easy for the  
17 escrow letters. They made the whole process very  
18 seamless.

19 So, really, the only thing if -- you  
20 know, if you had no money and all you had to do is  
21 get a corrupt lawyer, and, evidently, there's a lot  
22 of yous out there, by the way, and, you know, you're  
23 set with no money down, no closing costs, you've got  
24 the whole -- you can run the table. Now, if you got  
25 a couple bucks, you don't even need the lawyer now.

# Exhibit M

RICHARD PEPSNY, ESQ.

Page 1

1 UNITED STATES DISTRICT COURT  
2 DISTRICT OF NEW JERSEY  
3 CIVIL ACTION NO.  
4 97-CV-3496 (DRD) (MAS)

5 WALSH SECURITIES, INC., :

6 Plaintiff, :

7 -vs-

8 DEPOSITION OF:

9 : RICHARD PEPSNY, ESQ.

10 CRISTO PROPERTY :  
11 MANAGEMENT, LTD., a/k/a :  
12 G.J.L. LIMITED NATIONAL :  
13 HOME FUNDING, INC.; :  
14 CAPITAL ASSETS PROPERTY :  
15 MANAGEMENT & INVESTMENT :  
16 CO., INC.; CAPITAL :  
17 ASSETS PROPERTY :  
18 MANAGEMENT, L.L.C.; :  
19 WILLIAM SKOWRENSKI, II; :  
20 RICHARD CALANNI; RICHARD :  
21 DiBENEDETTO; JAMES R. :  
22 BROWN; THOMAS BRODO; :  
23 ROLAND PIERSON; STANLEY :  
24 YACKER, ESQ.; MICHAEL :  
25 ALFIERI, ESQ.; RICHARD :  
PEPSNY, ESQ.; ANTHONY M. :  
CICALESE, ESQ.; LAWRENCE :  
CUZZI; ANTHONY :  
D'APOLITO; DAP :  
CONSULTING, INC.; :  
COMMONWEALTH LAND TITLE :  
INSURANCE COM; NATIONS :  
TITLE INSURANCE OF NEW :  
YORK, INC.; FIDELITY :  
NATIONAL TITLE INSURANCE :  
CO. OF NEW YORK; COASTAL :  
TITLE AGENCY; DONNA :  
PEPSNY; WEICHERT :  
REALTORS; and VECCHIO :  
REALTY, INC., D/B/A :  
MURPHY REALTY BETTER :  
HOMES and GARDENS, :

Defendants. :

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RICHARD PEPSNY, ESQ.

Page 2

1 TRANSCRIPT OF TESTIMONY taken by  
2 and before HELEN DOHOGNE, a Certified Shorthand  
3 Reporter and Notary Public of the State of New  
4 Jersey, held at the law offices of STONE &  
5 MAGNANINI, 150 John F. Kenney Parkway, Short  
6 Hills, New Jersey, on Wednesday, August 4, 2010,  
7 commencing at 10:20 a.m.

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12 (973) 218-1111

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RICHARD PEPSNY, ESQ.

Page 56

1 those conversations?

2 A. I really don't recall that.

3 Q. Did you ever meet Jim Walsh?

4 A. No, I don't believe I ever met Jim.

5 Q. How about Robert Walsh?

6 A. I met Robert.

7 Q. When was that?

8 A. In fact, I don't know if Jim was there or  
9 not -- at one point after Kane had been funding  
10 his transactions through Walsh, I guess ultimately  
11 from Selective to Walsh, I think he arranged for a  
12 meeting with me and Bob Walsh regarding handling  
13 mortgage foreclosures for his mortgage company.

14 Q. Okay. And for his mortgage  
15 company, you mean Walsh Securities?

16 A. Walsh Securities.

17 Q. And so you had a meeting with --  
18 what came of the meeting?

19 A. Nothing. I never ultimately represented  
20 him.

21 Q. Okay. And then did you ever speak  
22 with Betty Ann DeMola?

23 A. I think she was in that meeting. I think  
24 she was there.

25 Q. Who else was at that meeting, do

# Exhibit N

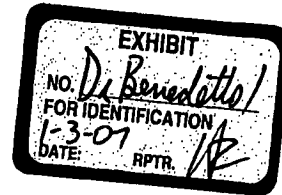
IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA :

v. : Criminal  
No. 98-427

RICHARD DiBENEDETTO and : TRANSCRIPT OF  
ROLAND PIERSON, : PROCEEDINGS  
:  
Defendants.

-----x  
Newark, New Jersey  
December 2, 1998

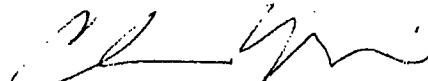


BEFORE:

THE HON. ALFRED M. WOLIN, U.S.D.J.

Reported by:  
CHARLES P. MCGUIRE, C.S.R.  
Official Court Reporter

Pursuant to Section 753, Title 28, United States Code,  
the following transcript is certified to be an accurate  
record as taken stenographically in the above entitled  
proceedings.

  
CHARLES P. MCGUIRE, C.S.R.

CHARLES P. MCGUIRE, C.S.R.  
OFFICIAL COURT REPORTER

1 APPEARANCES:

2 ALAN LIEBMAN, Assistant U.S. Attorney,  
On Behalf of the Government

3 BIAGIOTTI, MARINO & MONTECALLO, ESQS.,  
4 BY: ROBERT M. BIAGIOTTI, ESQ.,  
On Behalf of Defendant DiBenedetto

5 KAUFF & MENNA, ESQS.,  
6 BY: PASQUALE MENNA, ESQ.,  
On Behalf of Defendant Pierson

7  
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1 Permission To Enter A Plea of Guilty, there are certain blanks  
2 that have typing in them, and that's usually done either by the  
3 lawyer, the lawyer's secretary, or if it's handwritten, it's  
4 done by the lawyer.

5 Is that what happened in this case as far as you know?

6 DEFENDANT DiBENEDETTO: On what page are you referring  
7 -- yes.

8 THE COURT: All right. Have you had an opportunity to  
9 read where something has been typed in?

10 DEFENDANT DiBENEDETTO: Yes, Your Honor, I was.

11 THE COURT: All right. And do you accept what has  
12 been typed in as if you had written it with your own hand?

13 DEFENDANT DiBENEDETTO: Yes, Your Honor.

14 THE COURT: And it's true?

15 DEFENDANT DiBENEDETTO: Yes, Your Honor.

16 THE COURT: Going over to entry number eight, it  
17 indicates that the charge that confronts you here today and  
18 which is the subject matter of this plea is that you conspired  
19 to commit wire fraud by inflating and falsifying residential  
20 real estate appraisals; is that correct?

21 DEFENDANT DiBENEDETTO: Yes, Your Honor.

22 THE COURT: And, going over to entry number 24, you  
23 understand that for the crime that's charged in Count 1 of the  
24 indictment, by statute, you face a maximum of five years'  
25 imprisonment, a maximum fine of \$250,000, and a hundred-dollar

1 assessment; is that correct?

2 DEFENDANT DiBENEDETTO: Yes, Your Honor.

3 THE COURT: Also, going over to entry number 37, where  
4 it asks whether there's a plea agreement, you indicate that this  
5 is a cooperating plea agreement, that you've agreed to testify  
6 truthfully in all proceedings, and, if you comply with that, the  
7 U.S. Attorney will notify this Court of your cooperation and  
8 move pursuant to section 5K1.1; correct?

9 DEFENDANT DiBENEDETTO: Yes. Yes, Your Honor.

10 THE COURT: Do you have any questions of either  
11 Mr. Biagiotti or the Court pertaining to this particular  
12 document?

13 DEFENDANT DiBENEDETTO: Not at this time, Your Honor.

14 THE COURT: Sir, may I infer that when you signed this  
15 document, you did so voluntarily, meaning of your own free  
16 will, --

17 DEFENDANT DiBENEDETTO: Yes, Your Honor.

18 THE COURT: -- and you did so knowingly, understanding  
19 the document and what you were doing?

20 DEFENDANT DiBENEDETTO: Yes, Your Honor.

21 THE COURT: All right.

22 Mr. Pierson, I want to ask you the same questions  
23 about the Application For Permission To Enter A Plea of Guilty  
24 that has been submitted on your behalf.

25 And on page eight of that document under today's date

CHARLES P. MCGUIRE, C.S.R.  
OFFICIAL COURT REPORTER

1 THE COURT: Did various of your reports falsely state  
2 that the properties in their current "as is" condition required  
3 no repairs?

4 DEFENDANT PIERSON: Yes, Your Honor.

5 THE COURT: Was it your understanding that a number of  
6 the appraisal reports which you prepared in this period related  
7 to properties as to which Walsh Securities was the lender?

8 DEFENDANT PIERSON: Yes, Your Honor.

9 THE COURT: Did you prepare and sign the false  
10 appraisal reports identified in overt acts 17EE through 17JJ of  
11 Count 1 of the indictment?

12 DEFENDANT PIERSON: Yes, Your Honor.

13 THE COURT: Did you do all of these acts voluntarily,  
14 knowingly, and willfully, meaning by voluntarily of your own  
15 free will, knowingly, you understood what you were doing, and  
16 willfully, you intended to bring about the result that occurred?

17 DEFENDANT PIERSON: Yes, Your Honor.

18 THE COURT: Mr. DiBenedetto, would you please rise?

19 Mr. DiBenedetto, why are you entering your plea of  
20 guilty here today?

21 DEFENDANT DiBENEDETTO: Because I'm guilty, Your  
22 Honor.

23 THE COURT: And Mr. Pierson?

24 DEFENDANT PIERSON: Because I did the acts with which  
25 I've been charged, Your Honor.